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ZIP CODE SYSTEM IN THE UNITED STATES POSTAL SERVICE

GOVERNMENT

Storage

(Part II)



HEARINGS BEFORE THE COMMITTEE ON POSTAL FACILITIES AND MODERNIZATION OF THE COMMITTEE ON OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES EIGHTY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 5180, H.R. 9551, and similar bills

BILLS TO AMEND TITLE 39, UNITED STATES CODE, TO ENCOURAGE THE USE BY VOLUME MAILERS OF ZIP CODE THROUGH POSTAGE RATE CONCESSIONS

MAY 3, 4, 11, 19, 1966

Printed for the use of the
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CONTENTS

	Page
Hearings held on—	
Tuesday, May 3, 1966.....	1
Wednesday, May 4, 1966.....	25
Wednesday, May 11, 1966.....	65
Thursday, May 19, 1966.....	101
Statement of—	
Fitzpatrick, Joseph H., Jr., executive director, Mail Advertising Service Association International, Inc., accompanied by Lee Epstein, president, Mailmen, Inc.....	84
Hoke, Henry, Jr., publisher, the Reporter of Direct Mail Advertising, Garden City, N.Y.....	53
Keating, John M., College Bureau, New York, N.Y.....	30
Landsman, Richard, Greystone Press, New York, N.Y.....	42
McGrew, William B., on behalf of the Sunset Magazine & Book Co., Menlo Park, Calif.....	94
Maginnis, Harry J., president, Associated Third-Class Mail Users.....	25
Miller, Joseph L., on behalf of Maytag Dairy Farms, Inc., Newton, Iowa.....	62
Nelson, Norman I., president, Consumers Marketing Research Services, Inc., Hackensack, N.J.....	33
Nicholson, Hon. Ralph W., Assistant Postmaster General, accompanied by Robert Huse, Director of Customer Relations Division, Post Office Department, and W. H. Mills of the New York regional office of the Post Office Department.....	3
Nilan, Patrick J., legislative director, United Federation of Postal Clerks, accompanied by Henry T. Anglin, administrative vice president, and Archie Salisbury, president, local 578, Texarkana, Ark.-Tex.....	65
Schneider, H. Glenn, Schneider Addressing Service, Kankakee, Ill.....	38
The National Newspaper Association.....	92
Woodruff, Stanley, vice president, Ed Burnett, Inc., New York, N.Y.; and vice president-treasurer, Computer List Marketing, Inc., New York, N.Y.....	39
Additional material submitted—	
“Mail Train Blues,” article from the Wall Street Journal.....	74
“Postal Error Abuses Free-Mail Right,” article from the Miami News.....	73
“Sidelights,” article from the Fayetteville Observer.....	73
Speeches delivered on the House floor by Chairman Arnold Olsen and Representative Joe Pool, dealing with the ZIP code issue.....	161
“Transportation: Postal Service Key,” article from the Greensboro Daily News.....	74
“What’s Wrong With ‘Mr. ZIP’?” article from the Union Postal Clerk and Postal Transport Journal.....	76
Joint conference on the ZIP code system, held at the Post Office Building, Washington, D.C., May 19, 1966, representatives from the subcommittee, the Post Office Department, and business users of the mails, participating.....	99

CONTENTS

1	Introduction
2	Chapter I
3	Chapter II
4	Chapter III
5	Chapter IV
6	Chapter V
7	Chapter VI
8	Chapter VII
9	Chapter VIII
10	Chapter IX
11	Chapter X
12	Chapter XI
13	Chapter XII
14	Chapter XIII
15	Chapter XIV
16	Chapter XV
17	Chapter XVI
18	Chapter XVII
19	Chapter XVIII
20	Chapter XIX
21	Chapter XX
22	Chapter XXI
23	Chapter XXII
24	Chapter XXIII
25	Chapter XXIV
26	Chapter XXV
27	Chapter XXVI
28	Chapter XXVII
29	Chapter XXVIII
30	Chapter XXIX
31	Chapter XXX
32	Chapter XXXI
33	Chapter XXXII
34	Chapter XXXIII
35	Chapter XXXIV
36	Chapter XXXV
37	Chapter XXXVI
38	Chapter XXXVII
39	Chapter XXXVIII
40	Chapter XXXIX
41	Chapter XL
42	Chapter XLI
43	Chapter XLII
44	Chapter XLIII
45	Chapter XLIV
46	Chapter XLV
47	Chapter XLVI
48	Chapter XLVII
49	Chapter XLVIII
50	Chapter XLIX
51	Chapter L
52	Chapter LI
53	Chapter LII
54	Chapter LIII
55	Chapter LIV
56	Chapter LV
57	Chapter LVI
58	Chapter LVII
59	Chapter LVIII
60	Chapter LIX
61	Chapter LX
62	Chapter LXI
63	Chapter LXII
64	Chapter LXIII
65	Chapter LXIV
66	Chapter LXV
67	Chapter LXVI
68	Chapter LXVII
69	Chapter LXVIII
70	Chapter LXIX
71	Chapter LXX
72	Chapter LXXI
73	Chapter LXXII
74	Chapter LXXIII
75	Chapter LXXIV
76	Chapter LXXV
77	Chapter LXXVI
78	Chapter LXXVII
79	Chapter LXXVIII
80	Chapter LXXIX
81	Chapter LXXX
82	Chapter LXXXI
83	Chapter LXXXII
84	Chapter LXXXIII
85	Chapter LXXXIV
86	Chapter LXXXV
87	Chapter LXXXVI
88	Chapter LXXXVII
89	Chapter LXXXVIII
90	Chapter LXXXIX
91	Chapter LXXXX
92	Chapter LXXXXI
93	Chapter LXXXXII
94	Chapter LXXXXIII
95	Chapter LXXXXIV
96	Chapter LXXXXV
97	Chapter LXXXXVI
98	Chapter LXXXXVII
99	Chapter LXXXXVIII
100	Chapter LXXXXIX
101	Chapter LXXXXX
102	Chapter LXXXXXI
103	Chapter LXXXXXII
104	Chapter LXXXXXIII
105	Chapter LXXXXXIV
106	Chapter LXXXXXV
107	Chapter LXXXXXVI
108	Chapter LXXXXXVII
109	Chapter LXXXXXVIII
110	Chapter LXXXXXIX
111	Chapter LXXXXXX
112	Chapter LXXXXXXI
113	Chapter LXXXXXXII
114	Chapter LXXXXXXIII
115	Chapter LXXXXXXIV
116	Chapter LXXXXXXV
117	Chapter LXXXXXXVI
118	Chapter LXXXXXXVII
119	Chapter LXXXXXXVIII
120	Chapter LXXXXXXIX
121	Chapter LXXXXXXX
122	Chapter LXXXXXXXI
123	Chapter LXXXXXXXII
124	Chapter LXXXXXXXIII
125	Chapter LXXXXXXXIV
126	Chapter LXXXXXXXV
127	Chapter LXXXXXXXVI
128	Chapter LXXXXXXXVII
129	Chapter LXXXXXXXVIII
130	Chapter LXXXXXXXIX
131	Chapter LXXXXXXXI
132	Chapter LXXXXXXXII
133	Chapter LXXXXXXXIII
134	Chapter LXXXXXXXIV
135	Chapter LXXXXXXXV
136	Chapter LXXXXXXXVI
137	Chapter LXXXXXXXVII
138	Chapter LXXXXXXXVIII
139	Chapter LXXXXXXXIX
140	Chapter LXXXXXXXI
141	Chapter LXXXXXXXII
142	Chapter LXXXXXXXIII
143	Chapter LXXXXXXXIV
144	Chapter LXXXXXXXV
145	Chapter LXXXXXXXVI
146	Chapter LXXXXXXXVII
147	Chapter LXXXXXXXVIII
148	Chapter LXXXXXXXIX
149	Chapter LXXXXXXXI
150	Chapter LXXXXXXXII
151	Chapter LXXXXXXXIII
152	Chapter LXXXXXXXIV
153	Chapter LXXXXXXXV
154	Chapter LXXXXXXXVI
155	Chapter LXXXXXXXVII
156	Chapter LXXXXXXXVIII
157	Chapter LXXXXXXXIX
158	Chapter LXXXXXXXI
159	Chapter LXXXXXXXII
160	Chapter LXXXXXXXIII
161	Chapter LXXXXXXXIV
162	Chapter LXXXXXXXV
163	Chapter LXXXXXXXVI
164	Chapter LXXXXXXXVII
165	Chapter LXXXXXXXVIII
166	Chapter LXXXXXXXIX
167	Chapter LXXXXXXXI
168	Chapter LXXXXXXXII
169	Chapter LXXXXXXXIII
170	Chapter LXXXXXXXIV
171	Chapter LXXXXXXXV
172	Chapter LXXXXXXXVI
173	Chapter LXXXXXXXVII
174	Chapter LXXXXXXXVIII
175	Chapter LXXXXXXXIX
176	Chapter LXXXXXXXI
177	Chapter LXXXXXXXII
178	Chapter LXXXXXXXIII
179	Chapter LXXXXXXXIV
180	Chapter LXXXXXXXV
181	Chapter LXXXXXXXVI
182	Chapter LXXXXXXXVII
183	Chapter LXXXXXXXVIII
184	Chapter LXXXXXXXIX
185	Chapter LXXXXXXXI
186	Chapter LXXXXXXXII
187	Chapter LXXXXXXXIII
188	Chapter LXXXXXXXIV
189	Chapter LXXXXXXXV
190	Chapter LXXXXXXXVI
191	Chapter LXXXXXXXVII
192	Chapter LXXXXXXXVIII
193	Chapter LXXXXXXXIX
194	Chapter LXXXXXXXI
195	Chapter LXXXXXXXII
196	Chapter LXXXXXXXIII
197	Chapter LXXXXXXXIV
198	Chapter LXXXXXXXV
199	Chapter LXXXXXXXVI
200	Chapter LXXXXXXXVII
201	Chapter LXXXXXXXVIII
202	Chapter LXXXXXXXIX
203	Chapter LXXXXXXXI
204	Chapter LXXXXXXXII
205	Chapter LXXXXXXXIII
206	Chapter LXXXXXXXIV
207	Chapter LXXXXXXXV
208	Chapter LXXXXXXXVI
209	Chapter LXXXXXXXVII
210	Chapter LXXXXXXXVIII
211	Chapter LXXXXXXXIX
212	Chapter LXXXXXXXI
213	Chapter LXXXXXXXII
214	Chapter LXXXXXXXIII
215	Chapter LXXXXXXXIV
216	Chapter LXXXXXXXV
217	Chapter LXXXXXXXVI
218	Chapter LXXXXXXXVII
219	Chapter LXXXXXXXVIII
220	Chapter LXXXXXXXIX
221	Chapter LXXXXXXXI
222	Chapter LXXXXXXXII
223	Chapter LXXXXXXXIII
224	Chapter LXXXXXXXIV
225	Chapter LXXXXXXXV
226	Chapter LXXXXXXXVI
227	Chapter LXXXXXXXVII
228	Chapter LXXXXXXXVIII
229	Chapter LXXXXXXXIX
230	Chapter LXXXXXXXI
231	Chapter LXXXXXXXII
232	Chapter LXXXXXXXIII
233	Chapter LXXXXXXXIV
234	Chapter LXXXXXXXV
235	Chapter LXXXXXXXVI
236	Chapter LXXXXXXXVII
237	Chapter LXXXXXXXVIII
238	Chapter LXXXXXXXIX
239	Chapter LXXXXXXXI
240	Chapter LXXXXXXXII
241	Chapter LXXXXXXXIII
242	Chapter LXXXXXXXIV
243	Chapter LXXXXXXXV
244	Chapter LXXXXXXXVI
245	Chapter LXXXXXXXVII
246	Chapter LXXXXXXXVIII
247	Chapter LXXXXXXXIX
248	Chapter LXXXXXXXI
249	Chapter LXXXXXXXII
250	Chapter LXXXXXXXIII
251	Chapter LXXXXXXXIV
252	Chapter LXXXXXXXV
253	Chapter LXXXXXXXVI
254	Chapter LXXXXXXXVII
255	Chapter LXXXXXXXVIII
256	Chapter LXXXXXXXIX
257	Chapter LXXXXXXXI
258	Chapter LXXXXXXXII
259	Chapter LXXXXXXXIII
260	Chapter LXXXXXXXIV
261	Chapter LXXXXXXXV
262	Chapter LXXXXXXXVI
263	Chapter LXXXXXXXVII
264	Chapter LXXXXXXXVIII
265	Chapter LXXXXXXXIX
266	Chapter LXXXXXXXI
267	Chapter LXXXXXXXII
268	Chapter LXXXXXXXIII
269	Chapter LXXXXXXXIV
270	Chapter LXXXXXXXV
271	Chapter LXXXXXXXVI
272	Chapter LXXXXXXXVII
273	Chapter LXXXXXXXVIII
274	Chapter LXXXXXXXIX
275	Chapter LXXXXXXXI
276	Chapter LXXXXXXXII
277	Chapter LXXXXXXXIII
278	Chapter LXXXXXXXIV
279	Chapter LXXXXXXXV
280	Chapter LXXXXXXXVI
281	Chapter LXXXXXXXVII
282	Chapter LXXXXXXXVIII
283	Chapter LXXXXXXXIX
284	Chapter LXXXXXXXI
285	Chapter LXXXXXXXII
286	Chapter LXXXXXXXIII
287	Chapter LXXXXXXXIV
288	Chapter LXXXXXXXV
289	Chapter LXXXXXXXVI
290	Chapter LXXXXXXXVII
291	Chapter LXXXXXXXVIII
292	Chapter LXXXXXXXIX
293	Chapter LXXXXXXXI
294	Chapter LXXXXXXXII
295	Chapter LXXXXXXXIII
296	Chapter LXXXXXXXIV
297	Chapter LXXXXXXXV
298	Chapter LXXXXXXXVI
299	Chapter LXXXXXXXVII
300	Chapter LXXXXXXXVIII
301	Chapter LXXXXXXXIX
302	Chapter LXXXXXXXI
303	Chapter LXXXXXXXII
304	Chapter LXXXXXXXIII
305	Chapter LXXXXXXXIV
306	Chapter LXXXXXXXV
307	Chapter LXXXXXXXVI
308	Chapter LXXXXXXXVII
309	Chapter LXXXXXXXVIII
310	Chapter LXXXXXXXIX
311	Chapter LXXXXXXXI
312	Chapter LXXXXXXXII
313	Chapter LXXXXXXXIII
314	Chapter LXXXXXXXIV
315	Chapter LXXXXXXXV
316	Chapter LXXXXXXXVI
317	Chapter LXXXXXXXVII
318	Chapter LXXXXXXXVIII
319	Chapter LXXXXXXXIX
320	Chapter LXXXXXXXI
321	Chapter LXXXXXXXII
322	Chapter LXXXXXXXIII
323	Chapter LXXXXXXXIV
324	Chapter LXXXXXXXV
325	Chapter LXXXXXXXVI
326	Chapter LXXXXXXXVII
327	Chapter LXXXXXXXVIII
328	Chapter LXXXXXXXIX
329	Chapter LXXXXXXXI
330	Chapter LXXXXXXXII
331	Chapter LXXXXXXXIII
332	Chapter LXXXXXXXIV
333	Chapter LXXXXXXXV
334	Chapter LXXXXXXXVI
335	Chapter LXXXXXXXVII
336	Chapter LXXXXXXXVIII
337	Chapter LXXXXXXXIX
338	Chapter LXXXXXXXI
339	Chapter LXXXXXXXII
340	Chapter LXXXXXXXIII
341	Chapter LXXXXXXXIV
342	Chapter LXXXXXXXV
343	Chapter LXXXXXXXVI
344	Chapter LXXXXXXXVII
345	Chapter LXXXXXXXVIII
346	Chapter LXXXXXXXIX
347	Chapter LXXXXXXXI
348	Chapter LXXXXXXXII
349	Chapter LXXXXXXXIII
350	Chapter LXXXXXXXIV
351	Chapter LXXXXXXXV
352	Chapter LXXXXXXXVI
353	Chapter LXXXXXXXVII
354	Chapter LXXXXXXXVIII
355	Chapter LXXXXXXXIX
356	Chapter LXXXXXXXI
357	Chapter LXXXXXXXII
358	Chapter LXXXXXXXIII
359	Chapter LXXXXXXXIV
360	Chapter LXXXXXXXV
361	Chapter LXXXXXXXVI
362	Chapter LXXXXXXXVII
363	Chapter LXXXXXXXVIII
364	Chapter LXXXXXXXIX
365	Chapter LXXXXXXXI
366	Chapter LXXXXXXXII
367	Chapter LXXXXXXXIII
368	Chapter LXXXXXXXIV
369	Chapter LXXXXXXXV
370	Chapter LXXXXXXXVI
371	Chapter LXXXXXXXVII
372	Chapter LXXXXXXXVIII
373	Chapter LXXXXXXXIX
374	Chapter LXXXXXXXI
375	Chapter LXXXXXXXII
376	Chapter LXXXXXXXIII
377	Chapter LXXXXXXXIV
378	Chapter LXXXXXXXV
379	Chapter LXXXXXXXVI
380	Chapter LXXXXXXXVII
381	Chapter LXXXXXXXVIII
382	Chapter LXXXXXXXIX
383	Chapter LXXXXXXXI
384	Chapter LXXXXXXXII
385	Chapter LXXXXXXXIII
386	Chapter LXXXXXXXIV
387	Chapter LXXXXXXXV
388	Chapter LXXXXXXXVI
389	Chapter LXXXXXXXVII
390	Chapter LXXXXXXXVIII
391	Chapter LXXXXXXXIX
392	Chapter LXXXXXXXI
393	Chapter LXXXXXXXII
394	Chapter LXXXXXXXIII
395	Chapter LXXXXXXXIV
396	Chapter LXXXXXXXV
397	Chapter LXXXXXXXVI
398	Chapter LXXXXXXXVII
399	Chapter LXXXXXXXVIII
400	Chapter LXXXXXXXIX
401	Chapter LXXXXXXXI
402	Chapter LXXXXXXXII
403	Chapter LXXXXXXXIII
404	Chapter LXXXXXXXIV
405	Chapter LXXXXXXXV
406	Chapter LXXXXXXXVI
407	Chapter LXXXXXXXVII
408	Chapter LXXXXXXXVIII
409	Chapter LXXXXXXXIX
410	Chapter LXXXXXXXI
411	Chapter LXXXXXXXII
412	Chapter LXXXXXXXIII
413	Chapter LXXXXXXXIV
414	Chapter LXXXXXXXV
415	Chapter LXXXXXXXVI
416	Chapter LXXXXXXXVII
417	Chapter LXXXXXXXVIII
418	Chapter LXXXXXXXIX
419	Chapter LXXXXXXXI
420	Chapter LXXXXXXXII
421	Chapter LXXXXXXXIII
422	Chapter LXXXXXXXIV
423	Chapter LXXXXXXXV
424	Chapter LXXXXXXXVI
425	Chapter LXXXXXXXVII
426	Chapter LXXXXXXXVIII
427	Chapter LXXXXXXXIX
428	Chapter LXXXXXXXI
429	Chapter LXXXXXXXII
430	Chapter LXXXXXXXIII
431	Chapter LXXXXXXXIV
432	Chapter LXXXXXXXV
433	Chapter LXXXXXXXVI
434	Chapter LXXXXXXXVII
435	Chapter LXXXXXXXVIII
436	Chapter LXXXXXXXIX
437	Chapter LXXXXXXXI
438	Chapter LXXXXXXXII
439	Chapter LXXXXXXXIII
440	Chapter LXXXXXXXIV
441	Chapter LXXXXXXXV
442	Chapter LXXXXXXXVI
443	Chapter LXXXXXXXVII
444	Chapter LXXXXXXXVIII
445	Chapter LXXXXXXXIX
446	Chapter LXXXXXXXI
447	Chapter LXXXXXXXII
448	Chapter LXXXXXXXIII
449	Chapter LXXXXXXXIV
450	Chapter LXXXXXXXV
451	Chapter LXXXXXXXVI
452	Chapter LXXXXXXXVII
453	Chapter LXXXXXXXVIII
454	Chapter LXXXXXXXIX
455	Chapter LXXXXXXXI
456	Chapter LXXXXXXXII
457	Chapter LXXXXXXXIII
458	Chapter LXXXXXXXIV
459	Chapter LXXXXXXXV
460	Chapter LXXXXXXXVI
461	Chapter LXXXXXXXVII
462	Chapter LXXXXXXXVIII
463	Chapter LXXXXXXXIX
464	Chapter LXXXXXXXI
465	Chapter LXXXXXXXII
466	Chapter LXXXXXXXIII
467	Chapter LXXXXXXXIV
468	Chapter LXXXXXXXV
469	Chapter LXXXXXXXVI
470	Chapter LXXXXXXXVII
471	Chapter LXXXXXXXVIII
472	Chapter LXXXXXXXIX
473	Chapter LXXXXXXXI
474	Chapter LXXXXXXXII
475	Chapter LXXXXXXXIII
476	Chapter LXXXXXXXIV
477	Chapter LXXXXXXXV
478	Chapter LXXXXXXXVI
479	Chapter LXXXXXXXVII
480	Chapter LXXXXXXXVIII
481	Chapter LXXXXXXXIX
482	Chapter LXXXXXXXI
483	Chapter LXXXXXXXII
484	Chapter LXXXXXXXIII
485	Chapter LXXXXXXXIV
486	Chapter LXXXXXXXV
487	Chapter LXXXXXXXVI
488	Chapter LXXXXXXXVII
489	Chapter LXXXXXXXVIII
490	Chapter LXXXXXXXIX
491	Chapter LXXXXXXXI
492	Chapter LXXXXXXXII
493	Chapter LXXXXXXXIII
494	Chapter LXXXXXXXIV
495	Chapter LXXXXXXXV
496	Chapter LXXXXXXXVI
497	Chapter LXXXXXXXVII
498	Chapter LXXXXXXXVIII
499	Chapter LXXXXXXXIX
500	Chapter LXXXXXXXI

ZIP CODE SYSTEM IN THE U.S. POSTAL SERVICE

TUESDAY, MAY 3, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL FACILITIES
AND MODERNIZATION OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10:20 a.m. in room 346, Cannon House Office Building, Hon. Arnold Olsen (chairman of the subcommittee) presiding.

Mr. OLSEN. The subcommittee will come to order.

This morning the Subcommittee on Postal Facilities and Modernization begins a short review on the extremely complex subject of the adoption of a compulsory ZIP code system in the U.S. postal service.

Members will recall that we held extensive hearings last year, prompted by new regulations of the Postmaster General that would require volume mailers of second- and third-class mail to address and resort their bulk mailings by the ZIP code, beginning January 1, 1967.

We began last year's hearings with four identical bills on the subject pending before the subcommittee, introduced by Representative Pool, Representative Lindsey, Representative Ogden Reid, and myself. Essentially these bills would prohibit the Postmaster General from making the use of ZIP code a mandatory requirement, but would also have granted postage rates concessions to mailers who cooperated with the Postmaster General's ZIP code regulations.

At the conclusion of our hearings last year, this subcommittee met in a series of executive sessions in an attempt to resolve the problem. We finally voted to report to the full committee a "clean bill," H.R. 9551, that would establish ZIP code by law, but which would delay its adoption on a mandatory basis until January 1, 1970. Our report has not been made to the full committee, and H.R. 9551 is still pending business.

While many people might think that ZIP code is an accomplished fact, this is simply not so, and I have not scheduled these new hearings to revive a dead issue. The ZIP code controversy is very much alive. In fact, its full impact will not be felt until next year, and we could very well be deeply involved again with this subject in the next Congress.

I want to say parenthetically that the members of this subcommittee are going to have to go out and see the problems people are having with the ZIP code. I think all of us accept the ZIP code, but there are some grave problems that just haven't been solved.

I am sure that all of us who have been studying the problem, and particularly those of us who have seen the various coding systems in operation in European countries, are able to agree that some type of a

coding system is essential for the orderly and efficient movement of massive volumes of mail, and that coding is also an essential prerequisite to any large-scale mechanization of mail handling.

Nevertheless, ZIP code does present many serious problems.

Will ZIP code actually accomplish all that the Post Office Department claims it will accomplish? Will it save any appreciable amount of money? Are any savings justified if we are simply transferring costs to the users of the mails? Will ZIP code cost the mailing industry more than the Government will actually save? Does ZIP code impose harsh, costly, unreasonable, and unnecessary requirements upon the mailing industry? Is it possible for the entire mailing industry to comply with the proposed ZIP code regulations by January 1 of next year? These are just some of the questions that come to mind that I am not sure have been completely resolved.

If anyone would think that ZIP code is without its problems, I would invite them to review the several hundred letters which the subcommittee has received over the past few weeks from businessmen all over the country. Each letter is a documented exposition of that company's particular relationship with ZIP code and the problems faced in attempting to comply with next January's deadline. Practically all contend they cannot comply. Some claim they will have to go out of business. Most of them, while agreeing with the principle of ZIP code, simply want more time. All are asking for help.

Do we ignore these pleas for help? Do we tell these people that their problems are imaginary, and that all will be right with them next January? I believe not. Therefore, the reason for the hearings scheduled for today, tomorrow, and next Wednesday, May 11.

Today we will hear from representatives of the Post Office Department, and be brought up to date on the Department's progress with ZIP code. Tomorrow and next Wednesday we will give those who have problems with ZIP code an opportunity to tell us about them.

Our witness this morning is Hon. Ralph W. Nicholson, Assistant Postmaster General, Bureau of Finance and Administration, who is accompanied by Mr. Robert Huse, Director of the Customer Relations Division of the Post Office Department, and Mr. W. H. Mills, Director of the Postal Service Officer Programs of the New York regional office of the Post Office Department.

Mr. Nicholson, before I ask you to proceed I would like to hear from some of the members of our subcommittee who have other duties and obligations this morning and will have to leave shortly.

First, I will call on the gentleman from New Jersey, Mr. Daniels.

Mr. DANIELS. Thank you, Mr. Chairman, for recognizing me.

I would like to state that I and several other members of this subcommittee have been invited to the White House for the Polish millenium ceremony in the Rose Garden. That event is scheduled for 11 a.m., so it will be necessary for Congressman Krebs, Congressman Hanley, and myself, who have accepted this invitation, to leave. However, I would like the record to note that I am vitally interested in this legislation and that is why I was active last year—in fact, I am one of the members who supported the former Postmaster General in his position that the ZIP code is necessary and that it should take effect at the earliest opportunity, which he scheduled for January 1, 1967. You will recall the discussions we had in the subcommittee and, even though several months have passed by,

my interest in the legislation has not lessened. I am of the same opinion today, unless witnesses come before this committee and convince me otherwise.

Mr. OLSEN. Thank you, Mr. Daniels.

The Chairman recognizes the gentleman from New Jersey.

Mr. KREBS. Thank you.

I am sorry I have to leave, but I have accepted an invitation to participate in this ceremony. I look forward to hearing the testimony of the several witnesses during the ensuing hearings.

I thank the chairman.

Mr. OLSEN. The Chair recognizes the gentleman from New York, Mr. Hanley.

Mr. HANLEY. Thank you, Mr. Chairman.

My problem is identical to that of Congressman Daniels and Congressman Krebs. I deeply regret the conflict with respect to the schedule. I had wanted so much to be in attendance during your presentation. I will certainly review the presentation of this morning. I am sure it is going to be very helpful to us in making our deliberations.

Mr. DANIELS. Mr. Chairman, if you will yield, I would like to state that I have already read the advance copy of Mr. Nicholson's statement. I think it is a very fine statement and supports the view of the Department, and I want to compliment Mr. Nicholson and his associates for this very wonderful statement, which I think supports the position that the Postmaster General has already taken.

Like my colleagues, I regret that I have to leave.

Mr. OLSEN. Thank you very much.

Before you go, I do want to remind you that tomorrow morning at 9:45 we have an executive session on H.R. 13822, and I think we ought to move it out if we can.

Well, thank you, gentlemen, very much.

Now, Mr. Nicholson, if you will proceed and present what you have for the record.

**STATEMENT OF HON. RALPH W. NICHOLSON, ASSISTANT
POSTMASTER GENERAL; ACCOMPANIED BY ROBERT HUSE,
DIRECTOR OF CUSTOMER RELATIONS DIVISION, POST OFFICE
DEPARTMENT; AND W. H. MILLS OF THE NEW YORK REGIONAL
OFFICE OF THE POST OFFICE DEPARTMENT**

Mr. NICHOLSON. Thank you, Mr. Chairman. It is a pleasure to appear again before this subcommittee to continue a dialog which I believe has been constructive and instructive for both the Post Office Department and the members of the subcommittee. It is obvious, from a reading of the hearings last year, that the individual members of this subcommittee have done their homework on the subject of ZIP code, and I for one applaud your initiative in taking a firsthand look at the postal systems in several European countries.

In your report on Germany you note that it has become "good manners" to use ZIP code in sending a piece of mail. I am pleased to report that the American public is becoming progressively well mannered in adapting to our own ZIP code system, and later in this testimony I will have some figures in support of that statement. We are also getting a remarkable amount of cooperation from volume mailers. Since July 1, 1963, we have been in touch with 113,166

business firms, and of that number more than 100,000 have agreed to participate in the ZIP code program.

Actually, the conversion to this five-digit system is merely the external sign of a tremendous change in our postal system.

When the last of our 552 sectional centers went into operation last July we undertook the biggest logistical problem in the world—routing 200 million pieces of mail a day through a new transportation pattern without taking a single day off in the postal service.

There were complaints at that time of delays in the mail. But this was due largely to a budget problem—not a transportation problem. We were experiencing an increase of more than 5 percent in mail volume, but we had budgeted for less than a 1-percent increase in man-hours. When we realized what was happening, we were able to get an emergency deficiency apportionment to redress the balance.

The biggest test of our sectional center system came last Christmas. Some columnists predicted we would collapse under the load, and a few of the leaders of our employee organizations joined in the mournful dirge. Happily, their prophecies turned out to be unfounded. The Department experienced its biggest and most successful Christmas season in history, handling more than 8 billion pieces of mail for December.

By the way, I noticed in your report of your trip to Europe that the annual mail volume in both France and Germany is just about 8 billion pieces, so in the month of December we handled as much mail as those countries each did for the year.

Mr. OLSEN. Each of them?

Mr. NICHOLSON. Yes.

Virtually every piece of mail entering a destination post office by 12:01 a.m., December 24, was delivered before Christmas Eve.

At that time Postmaster General O'Brien said for the record there was no doubt in his mind that ZIP code and the sectional centers produced speedier and more efficient delivery of Christmas mail. This was not limited to domestic mail.

For the 6-week period before December 24, 5 million pounds of mail went by air from San Francisco to the Pacific area, including a million pounds of personal packages for our servicemen in Vietnam.

We have come a long way in ZIP code compliance since the program itself was first announced in July 1963. As you will recall, second- and third-class volume mailers were first put on notice in February of 1965 that they would have to meet a deadline to convert fully to ZIP code. Regulations setting the deadline at January 1, 1967, were announced in July 1965.

This was the first significant change in bulk mailing requirements in 40 years. In order to qualify for the low bulk third-class rate, the law specifies that mailers must prepare and sort the mail according to the requirements of the Postmaster General. To be meaningful, the mail should, therefore, be sorted the way it is handled in our post offices, that is, ZIP coded for sectional center distribution.

Along these lines we have intensified our ZIP code activities in post offices. ZIP codes have been applied to sorting cases, racks, sack, and pouch labels. We have completed parcel post sorting by ZIP code areas. We have issued instructions to post offices to sort first class and airmail by ZIP codes where the remaining volume for a State exceeds 350 pieces after all city separations have been

made. ZIP codes have been included in the postmarks of more than 21,000 third- and fourth-class post offices, and we are furnishing steel postmarking dies at more than 10,000 first- and second-class offices. By May 15, all 33,000 single ZIP coded offices will have the ZIP code number in their postmarks. We have given top priority to improving space, platform, and maneuvering conditions at sectional centers where necessary.

Last November we installed, in Detroit, the first high-speed optical scanner, designed to read and sort incoming and outgoing printed or typed ZIP coded mail to 279 separations at the rate of 36,000 pieces an hour. Four of these machines will be installed in Detroit and two in Buffalo, N.Y. Last January, eight additional readers were ordered, two each for Boston and San Francisco, and one each for Houston, Minneapolis, Seattle, and Portland, Oreg.

On January 15, 641 multicoded cities were reduced to single code status in the interest of simplifying the system. This cut the cost to mailers of applying ZIP codes to their address lists, greatly simplified the maintenance of mailing files and permitted all customers in those cities to use the same ZIP code.

Also in January an updated "ZIP Code Directory" was published. It is now available without cost to each second-class and bulk rate third-class mailer. Those with purely local mailing lists may obtain from their postmaster a copy of the city or cities to which they mail. We also arranged to furnish copies of the new addition without cost in exchange for copies of the 1965 directory. As of last Saturday, April 30, a total of 290,000 copies are available at post offices and for use by volume mailers. Updated local city directories have been supplied in 202 additional cities, making a total of 367 cities which have a directory available for local use.

In cases where incorrect ZIP codes appear on second- and third-class mail, we have made arrangements for the post office to send the mailer the correct ZIP code address.

In further preparation for the deadline next January, we have been in touch with 1,000 mailing list owners and compilers to explain the requirements and offer our assistance in ZIP coding their lists. In addition, all permit holders have been notified of the presorting requirements by certified mail, together with an offer of assistance from the local post office.

In compliance with a directive from President Johnson, regulations were issued requiring all Federal agencies and departments to adapt to ZIP code. As of last January, ZIP code is required on all official typewritten or handwritten mail. As of next January, it will be required on all official mail, and all Government mail reimbursed at the bulk third-class postage rate must be presorted to ZIP code.

As another aid to mailers, an updated master data processing ZIP code file has been made available without cost, together with a separate automatic data processing change file which contains all the changes that have been made since last year.

We have had ample evidence, both in and out of Government, that mailers with data processing equipment can use it to automatically sort the mail. Let's take some examples from the Federal Government. This year Federal income tax refund checks mailed from Birmingham and Chicago to 33 States will be ZIP coded and presorted to sectional centers and major cities. The Social Security Administra-

tion will complete a ZIP code presort of all social security checks this year. The General Services Administration, Federal Supply Service, is completely redesigning its computer addressing program to accommodate ZIP code, and will have finished that job by next July. The Insurance Division of the Veterans' Administration will be completely ZIP coded by July and will be able to presort its mail to ZIP code by next January.

In the Department of Defense, ZIP codes are placed on all savings bonds and allotment checks sent out by the Air Force accounting and finance centers for active and retired personnel. The checks are sorted by ZIP code. ZIP code instructions have been incorporated in all base level operating manuals. Army regulations now require that ZIP code be inscribed on all checks and bonds. Similar action has been taken by the Navy and Marine Corps.

Now let's take an example from State government. The Department of Licenses in the State of Washington has ZIP coded a total of 1,900,000 automobile license applications, and a recent mailing was presorted to direct cities and loose packed where volume warranted. This operation saved more than 1,700 man-hours, or about \$6,000 at \$3.50 an hour.

Let us turn now to some cases in private industry. The Kingsport Press, at Kingsport, Tenn., completed ZIP coding the mailing list for Field Enterprises Educational Corp., of Chicago, and during the month of March deposited 990,000 books presorted to all five digits. This is more than one-third of the post office's total monthly volume. In addition, they obtained a computer tally of the number of pieces sorted to each office and forwarded this information in advance of each mailing so that the Kingsport postmaster was able to plan full carloads to the various post offices of destination.

The Syracuse branch of the New York Telephone Co., mails 40,000 pieces of first-class mail daily, presorted to the five digits. So does the Niagara Mohawk Power Co., which has a daily first-class mailing of 35,000 pieces.

The Columban Fathers of St. Columbans, Nebr., maintain an address file of 160,000 second class and 165,000 third class on punch-cards. They have been presorting for more than a year.

The Piedmont Natural Gas Co., of Charlotte, N.C., sends out 3 million pieces of first-class mail annually, presorted to five digits. Good Will Sales Inc., of Gastonia, N.C., is a third-class mailer with more than 1 million addresses on Speedamat plates. They are completely ZIP coding and presorting.

In Billings, Mont., the State controller maintains an automatic data processing file for other State agencies, and prepares labels for about 3 million pieces of mail a year, presorted on all five digits. The Montana State Film Library at Helena, mails about 53,000 films yearly at the fourth-class rate for educational film. The mail is completely presorted and sacked to all five digits, thus completely bypassing the post office.

In New Orleans, La., Century Graphics, a mailing service, maintains its address lists on a magnetic-tape file. For its major client, Century Graphics sends out a mailing four times a year from a file of 2 million names, covering the South and Southwest States. Various other lists account for another million names. The company estimates its total annual volume at 20 million pieces. It presorts all of that mail to the first three digits.

All of this adds up to savings for the Post Office Department—savings that can be translated in terms of containing costs. It also adds up to the fact that many businessmen are willing to put in a little effort in return for the more efficient service they get from ZIP-coded mail.

It has been said that ZIP code is well and good for the big fellow, but not for the small mailer. May I respectfully suggest that further thought be given to the question of what constitutes a small mailer. Certainly I don't consider in that category someone who sends out a mailing of 1 million pieces at a time—or even half a million, for that matter. A mailing that size would keep the average post office pretty busy on a given day. For example, the total daily mail volume at Billings, Mont., is 110,000 pieces. At Helena, the volume is 75,000 pieces a day.

In Baton Rouge, La., the daily volume is 300,000, and it is less than a million in New Orleans. It is also less than a million at Omaha, Nebr., and half a million in Syracuse, N.Y.

But, regardless of the size of his operation, or the method he uses to maintain his address lists, the Department has a built-in safety hatch for the mailer who tries to meet the deadline for presorting requirements but is unable to do so because of circumstances beyond his control.

Last September, regulations were issued granting appropriate extensions in these hardship cases. To apply for the extension, the mailer must submit to his local postmaster a written request, with supporting documentation to show that he had made a genuine effort to comply with the requirements. The request is forwarded to the appropriate regional director, who makes the decision, based on the circumstances of each case.

We do not intend to open the floodgates to all who seek an extension, but at the same time we don't intend to become too inflexible in our interpretation of the regulations.

Another question of hardship has arisen in connection with the second portion of the phaseout of terminal mail handling operations at Texarkana. Originally the phaseout had been scheduled to start April 15, but, after employee organizations expressed concern over that starting date, Postmaster General O'Brien ordered a gradual phaseout, since there will be adequate work at Texarkana until early next year. This will make it possible to start relocating the 164 employees with a small group in July; with other small groups to follow in a 6- to 8-month period after July. Previously, a total of 136 employees at Texarkana were relocated voluntarily.

Ogden, Utah, was phased out in November of 1965, and there have been no terminal operations there since that time. Council Bluffs, Iowa, was phased out last January, and most of the personnel have been assigned to Omaha, across the Missouri River. We expect to complete the phaseout at Portland, Maine, and Springfield, Mass., before the end of the year, reassigning 28 employees at Springfield and 26 at Portland.

As all of you will recall, Postmaster General O'Brien has repeated the pledge first given by his predecessor that all employees' rights will be protected in the gradual shifts of personnel. All are guaranteed employment in other offices. They will receive full seniority credit and will suffer no loss in status or rights. Per diem and leave

allowances are provided for relocated employees, together with moving expenses, as well as allowances for the relocation of family members.

Earlier in my remarks I mentioned public cooperation in the ZIP code program. Recently an unsolicited survey was undertaken by Reader's Digest on the use of ZIP code by individuals writing into the magazine. Reader's Digest analyzed 10,000 pieces of mail it received in plain envelopes as opposed to the preprinted reply envelopes the magazine itself sends out with a ZIP code return address.

The magazine reported that 88 percent of the mail included ZIP code in the destination address, and 64 percent of those who listed their return address included their own ZIP code number. In the breakdown by States, 95 percent of the people who wrote from Kansas used ZIP code in the destination address, and 83 percent of the pieces from Alaska contained ZIP code in the return address. Percentages were lower in other sections, such as 46 percent from Alabama.

Frankly, these statistics were a great deal higher than our previous samplings had indicated. So we passed on the results of the Reader's Digest survey to our own personnel in the field, and asked for further samplings of correspondence with volume mailers.

In response, the Kiplinger magazine, Changing Times, reported that it had analyzed nearly 2,500 pieces of mail selected at random from sales resulting from its television and radio advertising. The survey showed that 63 percent of the customers included ZIP code in the destination address, and 67 percent used ZIP code in their return address.

The Seraphic Mass Association of Pittsburgh, a religious organization, found that 61 percent of its incoming mail for several weeks bore ZIP code in the destination address and 70 percent in the return address.

At Mutual of Omaha the correspondence was 40 percent ZIP coded for the destination address and 72 percent for the return address.

Kaufmann's Department Store in Pittsburgh found that 60 percent of the business mail carried ZIP code in the destination address and 95 percent in the return address. The letter from Kaufmann's said the high usage of ZIP code in business letters "is no doubt because they are finding increased benefits from its use, as we are." The letter continued—

We are looking forward to using ZIP code as a universal shipping and routing guide, and are most appreciative of your own efforts through the postal system in bringing it about.

The figures reported to us are greatly encouraging. They indicate that the general public is cooperating in the program more fully than we had anticipated at this point. Nevertheless I can assure you that there will be no letdown in the Department's efforts to promote greater public use of ZIP code.

We have sponsored local ZIP code promotion weeks in 7 cities, with an additional 5 scheduled this week, and we are planning a National ZIP Code Promotion Week for 300 cities simultaneously in the fall.

In short, as described by the New York Post, the Post Office Department has been carrying out "one of the greatest promotional campaigns in its history."

Finally, I am happy to inform you that the Advertising Council has agreed to sponsor in the public interest a nationwide promotional campaign on behalf of ZIP code during the coming months.

I hope the members of this subcommittee will agree with me that we are well on the way.

Mr. OLSEN. Thank you very much, Mr. Nicholson. As usual, you have done an excellent job, and I must say we are proud of the Post Office, too. We think you are doing a mighty fine job.

Quite a few questions occur to me. The first is on an entirely different subject from ZIP code—but when you mentioned mail to Vietnam I wondered about your pileup of mail at San Francisco for Vietnam. Is that still occurring? Are you getting a greater accumulation than the facilities can accommodate?

Mr. NICHOLSON. No, Mr. Chairman, I don't believe so. I was in San Francisco about a month ago and interest there was very keen about the mail movement. I asked some questions of our local post office people and they said they had indeed kept current with the very large quantity of mail, and an additional quantity which was not mail. As you recall, there were some parcels sent, freight, to the west coast for GI Joe, but all this had been moved. When I was there a month ago, the work was current even though the volume had doubled or tripled over the prior year.

We were fortunate in that the preceding summer we had become aware the existing space was going to be inadequate and we moved into a much more commodious space in the Federal building itself. Just about a week or 10 days ago we rented additional space, because we are overflowing there.

So as of about a month ago I can assure you, from personal observation, the mail was current, and the fact that we have extended into additional space, we are right on top of the growth of volume in keeping it moving on a current basis.

Mr. OLSEN. Have you used auxiliary Seattle facilities to move this Vietnam mail?

Mr. NICHOLSON. Yes, sir; some mail from the west coast to the combat area is moving out of Seattle. I don't have personal knowledge about the Seattle operation.

Mr. OLSEN. I am going to go through your statement before I get to my own questions. You said: "To be meaningful, the mail should therefore be sorted the way it is handled in our post offices, ZIP coded for sectional center distribution."

Are you in the Post Office able at the present time to sort to sectional centers everywhere?

Mr. NICHOLSON. We route it.

Mr. OLSEN. Do you have a deadline for January 1 yourselves?

Mr. NICHOLSON. No, sir; we route the mail to sectional centers. That is the only way of routing the mail now existing.

Mr. OLSEN. Can you sort and sack to sectional centers in your own post offices?

Mr. NICHOLSON. Yes; we do in all major offices.

Mr. OLSEN. But not in all?

Mr. NICHOLSON. Not in the smaller offices. I believe there are some 560 offices in which we are distributing the mail and of course transporting it by the sectional center pattern.

Mr. OLSEN. Then there remains a great number of offices that are still sorting and sacking by the old State system?

Mr. NICHOLSON. Yes; but as you know, 67 post offices account for 50 percent of our volume, so the 560 are the preponderant part.

Mr. OLSEN. What is the percentage?

Mr. NICHOLSON. I would estimate it is probably 75 to 80 percent.

Mr. OLSEN. In any event, the New York City post offices, all of the post offices in that area, are sorting and sacking to the ZIP code system?

Mr. NICHOLSON. Yes, sir. I think we should keep in mind a distinction, the distinction being sorting the mail and transporting the mail. The transportation routes are laid down for sectional center distribution. That is the way the mail physically moves between cities. The sorting of the mail within the post office is obviously for the purpose of getting the letters in the correct pigeonholes so they get into the sacks and move to the sectional center destination.

Mr. OLSEN. The mail which enters the post office, are you sorting and sacking this for the sectional centers?

Mr. NICHOLSON. We are indeed.

Mr. OLSEN. Are you limited when it gets to the railroad centers or other transportation centers in ways to transport to sectional centers?

Mr. NICHOLSON. No; the sectional centers were chosen because they had the optimum transportation of all modes. The sectional centers were located so as to have available to them the maximum number of alternative means of transportation. That is why the sectional center was identified.

Mr. OLSEN. You say that inside the post office 85 percent of your mail is being sorted and sacked by your ZIP code method?

Mr. NICHOLSON. Yes, sir. In the remaining offices the mail is transported according to sectional center pattern because that is the only pattern that presently exists and is used.

Mr. OLSEN. Do you think you will be able to furnish post office marking dies for all post offices in the United States so that the return address, including the ZIP code, will be in the postmarking die?

Mr. NICHOLSON. Yes, Mr. Chairman. Mr. Gronouski, I believe, announced about a year ago that we would be converting all the postmarking materials for all those cities except those that are multicode cities. We felt it would be more confusing than helpful in the event persons who lived in one ZIP area happened to mail the letter downtown or in another ZIP code area; in the case of multicode, it could be perhaps confusing. But in all other cities, by the 15th of May—this month—we will have the ZIP code number in the cancellation, so even though the person who originates the piece of mail fails to put the ZIP code in his own return address, mailers, or the post office, or any interested person would have ready access to the ZIP code number for that originating post office.

Mr. OLSEN. I can certainly see that in Government mail, and the mail that you cited which is handled by the various State governments, could very reasonably be ZIP coded. The addresses used are more stable, I think, than in the third-class-mailing category. This is where, it seems to me, there is the most hardship. I don't want to minimize the hardships on the second-class mailer, but the addresses in the second-class-mail category are certainly more stable.

We had occasion to visit Mailmen, Inc., in New York last Friday, and we saw how their clients give them addresses and the mailing

material. Now if anyone of those mailers has not ZIP coded, obviously, on January 1, 1967, Mailmen, Inc., won't be able to use that mailer. The client will not be able to use that mailer. Is it the policy of the Post Office Department that a hardship exemption would be granted in such a case? Could an exception granted for a particular mail list be extended to the people who actually do the mailing?

Mr. NICHOLSON. Mailmen, Inc., is a large mailer, relatively speaking, and also, I think, it is not a typical mailer. However, it is true, as you say, Mr. Chairman, that in the event that there are mailing problems for this rather atypical case it would of course be eligible for application or for processing through our hardship guidelines. In the event that it is not possible for any mailer who has distinct or even unique problems, who simply cannot accommodate his rather particular operation to the January 1 requirements, he would be given extra time under this hardship procedure.

Mr. OLSEN. I have invited them to make a specific appearance, and I would appreciate having your representatives here when Mailmen, Inc., makes its presentation. I think we may have to get into some general discussion of what we can do about this type of situation. It seems to be that something special may have to be worked out, rather than to just use hardship relief. I think something has to be worked out that will accommodate both them and the Post Office Department. Then we will go on from there in the next couple of days.

Mr. NICHOLSON. May I make a general comment on that?

Mr. OLSEN. Yes.

Mr. NICHOLSON. I personally have not visited Mailmen, Inc., but I understand it is a very brilliant operation. I think Mr. Cohen, from what I understand, is a real expert in this field and that he does a fine mail job, sometimes tackling problems that many other mailing houses would not tackle, because he is skilled and capable. It is the general finding of some of our people who have visited his shop that his problems are not insoluble, they are difficult, but they can indeed be solved in time.

Mr. OLSEN. I have a notion they are kind of typical of a lot of objections and a lot of problems, and that is why I wanted them here. But we have got to work it out. We can't let the ZIP code put anybody out of business.

Mr. NICHOLSON. I am sure, Mr. Olsen, the ZIP code will not.

Mr. OLSEN. That is why we are having this hearing; we want to make especially sure it doesn't.

Mr. NICHOLSON. Yes, sir.

Mr. OLSEN. Are these ZIP codes going to be frozen? That is, are they going to be absolute with respect to any particular address? For instance, "Arnold Olsen, 4253 50th Street, Washington, D.C., 20016"; is that going to be permanent or am I going to get changed when you change Bethesda? Bethesda is part of Washington, D.C., but it obviously isn't always going to be. Are you going to borrow from my area or—certainly you are going to change the ZIP code for Bethesda—take it from there?

Mr. NICHOLSON. Mr. Olsen, I will admit that I was terribly upset, as I think many people at headquarters were, to find there were some changes and that headquarters was not aware of these changes that have taken place. They dribbled through month by month

and were unauthorized. Our regulations prohibit those changes but they took place nevertheless. When we did become aware of it—and I must thank you for raising that question in your letter to the Postmaster General, because if you had not, perhaps we would not have been aware those problems existed.

Now these are random changes and we have taken action to prevent any more such random changes.

In answer to your question, thank goodness—I believe that is the correct way to put it—this is a dynamic and changing country. We are growing and changing our behavior in doing business, expanding into new areas, population is shifting from nonurban areas to the cities and from the urban centers out to the suburbs, so new communities, new cities, are being created. People are abandoning the old places where they live, so inevitably there are going to be post offices that are discontinued, new post offices that are created to serve newly created communities. People are going to move into areas more densely populated, so where there is one carrier route there may have to be two or—

Mr. OLSEN. Let me call attention to one thing. You don't think there will be so many post offices abandoned as you think new ones created; isn't that right?

Mr. NICHOLSON. They go both ways. In the period June 17, 1965, to April 21, 1966, there were 226 post offices discontinued. Let's see how many new post offices were created.

In that period only two new post offices were established. However, there have been a number of stations and branches created. There have been 45 branches established.

Mr. OLSEN. Let me cite a specific case that we ran into in New York. It is a pending case. There are post offices at Huntington Station, N.Y.—there is, by the way, a new building being built at Huntington—a post office at Deer Park, and a post office at Commack.

Now there is a new post office being created called Dix Hill. Dix Hill was being served out of one of the three, either Huntington, Deer Park, or Commack. Now this new Dix Hill post office is going to take sections out of the other three, so that in at least three different post offices people are going to have their ZIP codes changed. I think they can do it, as I could do it. It would be no hardship on me to change my ZIP code, but for the mailer who is trying to reach me—and whom I want to reach me—it is a problem if my ZIP code is changed, as it will be a problem for the mailers to reach those at Dix Hill who are taken out of Commack or Deer Park or Huntington.

Mr. NICHOLSON. There will indeed have to be changes, Mr. Olsen. We could never absolutely freeze every address any more than we could freeze the mobility of people as they move from city to city and State to State. We are mindful of the need to minimize such change and not introduce unnecessary or random change. When the ZIP code was first announced we did make the pledge that we would not change the basic system, we would not change the philosophy, add a sixth or seventh digit or rezone the whole country, but we cannot prevent some change. As the density in a given metropolitan area increases, so a new facility must be carved out of three or four existing facilities. I regret to say that does seem to be a natural evolution of a postal service keeping up with changing needs.

Mr. OLSEN. Could that be kept to an absolute minimum, so that if we are going to have a new post office that it be a brandnew section and you don't borrow from any other post office?

Mr. NICHOLSON. We should indeed keep it to an absolute minimum and it is my belief that that is our actual action.

Mr. Mills is here, the director of our postal service officer programs in New York, and he may have some specifics on the communities you mentioned. Mr. Mills.

Mr. MILLS. Mr. Chairman, I am sorry I can't really fill you in on Dix Hill, I haven't heard of it. I can say this is a rare occasion because it is the first one we have heard of since ZIP code was established, so I would say it will be minimum.

Mr. OLSEN. I will take it up with you later, but there are many, many more and, as a matter of fact, the postmasters in our large centers are becoming surprised at what they are doing. We will address ourselves to those things a little later.

Now I have had all the time I should take, and the Chair wishes to recognize the minority leader here, the gentleman from Pennsylvania, Mr. Corbett.

Mr. CORBETT. Thank you, Mr. Chairman.

I have a number of questions, but perhaps the big one in my mind is illustrative of the vagueness in people's minds who are users of the mail, either the senders or receivers. Supposing we are for this proposal almost unanimously here in the committee and in the Department? What is the hurry? From our point of view it doesn't seem that the lists are ready yet. We have had two or three issues of ZIP code numbers; we suspect another is coming.

We know that mailers who have to make up plates are having a very rough time and a very expensive experience. My question narrows down to: If this is a good thing, why can't we get into it evolutionarily rather than revolutionarily?

Mr. NICHOLSON. I believe we followed exactly the course that you suggest, Mr. Corbett—

Mr. CORBETT. Might I interrupt?

Mr. NICHOLSON. Yes, sir.

Mr. CORBETT. If you believe that, you are the only ones who do. Because, for the rest of us, we are hopelessly mired down in the thing. The mailers who complain to me, "My goodness, give us some time, this is an awful drain on our operating capital, an awful drain on the work force, and we just can't do it now. If you give us time, we will be happy to do it. We think it will help us and the Post Office, but give us some time."

Mr. NICHOLSON. The ZIP code philosophy was first announced in November 1962 and shortly after a beginning date of July 1, 1963, was announced. So on July 1, 1963, the five-digit code became available.

Mr. CORBETT. How many changes have you had in the ZIP code directory since that date?

Mr. NICHOLSON. In the directories themselves, quite a number, because of the mobility of the people. Now after July 1, 1963—initially the ZIP code was entirely permissive, voluntary—but at Christmastime in 1964 the announcement was made that by July 1, 1965, a certain step in reaching full compliance was to be inaugurated. Following Christmas, in January of 1965 through February and March,

the industry did bring forward a great deal of information suggesting and pointing to the fact that the July 1, 1965, date was not realistic. At that time—and I sat in on many of those conversations—they said, “If we could just have more time we would be able to comply fully.” So the July 1, 1965, date was eliminated, and instead, a January 1967 date was set as the terminal date.

I must point out, Mr. Corbett, and I don’t mean to be the least offensive, but at that time the question was put: “If we eliminate the July 1965 date, will you have any trouble with the 1967 date?” And the answer was “No.”

I recall that Mr. Gronouski said, “When we come up to that date, will you say this is a hardship, will you want postponement,” and the answer was “No.”

Mr. CORBETT. Who gave these answers?

Mr. NICHOLSON. There was a series of meetings, involving perhaps 25 or 30 groups, including all the major mailing groups or associations. Typically, there were six or seven members from each of those associations present at any one meeting.

I believe in all candor that Mr. Gronouski tried to assure himself that initial postponement would not lead to another postponement and another and another, and it was for that purpose he did introduce the gradualism that you speak for.

My point is we did indeed see the need for gradualism and provided 18 months of additional time, and I feel many people who believed Mr. Gronouski at that time are ready. I think the problem may exist among those who feel, well, now we got that postponed and when the next deadline comes up we will get it postponed. Unfortunately, I think that means when each and every deadline comes there will be an effort for postponement. So, we are ready to install it and keep faith with the people by being ready by next January, and to give everybody help, and to give relief where there is hardship to those who have tried sincerely, but are unable to conform by the January 1967 date.

Mr. CORBETT. I find myself in moderate agreement with you, but my mind runs to those mailers and receivers who are outside of what you call the many. They are not few. Now, then, you say you have some provisions for hardship. Who decides this and what appeal might there be from the decision?

Mr. NICHOLSON. Basically, it would be decided at the local level.

Mr. CORBETT. By that you mean the postmaster or regional director?

Mr. NICHOLSON. The postmaster would perhaps have some administrative advice or background, but the decision actually exists with the regional director.

Mr. CORBETT. Is there any appeal from his decision?

Mr. NICHOLSON. We haven’t worked it out as a quasi-judicial process, but yes, I would imagine if a person feels the regional director has missed the point and misjudged the case, I am sure he would find a way to bring it to the attention of the Department in Washington.

Mr. CORBETT. I had in mind a specific case—I will leave the names out—where they estimate that to comply with the Department’s regulations on ZIP code would cost \$2.5 million. They are not big enough to absorb this quickly. Over a period of time, by utilizing workers who are not busy at the moment and by other devices, and

by a slower use of their capital funds—operating funds—they could do this, if they aren't hit hard.

Now, you make a proper point that here there has been another delay and another delay and another delay, which indicates to me that the starting date must have been, by everybody's consent, too early, when the decision was first made. The remaining question is whether it is still too early.

Granted that the real large users of the mail can comply, can replat even with the expenses involved, and the like. In the next level or two down we find many who cannot comply and who are sincere about it. They say, "We go along with ZIP code; we would like to do it, but we can't even get directories. Even if we had the money and time and people available to do it, we don't have the books." Which raises this question: You set a mandatory date of January 1, 1967. Has the Department made it possible, by getting out the directories so that people can get their plates in shape, and that sort of thing, for people to comply if they want to?

Mr. NICHOLSON. I believe so, Mr. Corbett. The Department was offering a ZIP code list service for some years. We now provide that service at \$1.50 a thousand names. If a mailer needs a ZIP code number, and will send us on 3 by 5 cards the names and addresses in the multicoded cities, we will ZIP code those for \$1.50 a thousand. It was free up until last January.

Mr. CORBETT. Is this on a usable plate?

Mr. NICHOLSON. No, sir.

Mr. CORBETT. Just an address; no plate?

Mr. NICHOLSON. Just the information, the equivalent of the looking-up process that the mailer would have otherwise.

Mr. OLSEN. Would the gentleman yield?

Mr. CORBETT. Yes.

Mr. OLSEN. I was at the Syosset post office in New York, and I asked whether or not I could get six copies of the ZIP Code Directory. The postmaster said he only had six. He said I could have two. But for some operations this isn't enough to go around among the people who are handling the mail. I understand that the Syosset post office handles 50 permits, which would mean they are entitled to 50 directories. This may be more than they need; I don't know. But they certainly needed six. I got a very courteous reply from the postmaster, but he just didn't have them. So there is an availability problem here.

Mr. NICHOLSON. Yes, sir. We let three contracts to print this book in three places simultaneously, and nearly 300,000 have been delivered so far.

Mr. Corbett, if I may respond on the problem that you are identifying, and it is a real problem. I have been, I must say, cruelly disappointed as I have gone to meetings, as recently as a month ago, where mailers are present, to have the question asked from the floor, "Is the Department really serious about this January date of 1967?" I find it terribly disappointing because, somehow or other, the idea has been kept alive that there is some lack of sincerity, some lack of actual intent on the part of the Department to get compliance by January 1967.

Mr. OLSEN. If I could address myself to that. I had the same thought in mind; that it couldn't be serious if we couldn't get the

directory. I am not critical; I am just saying I thought, well, the Post Office Department isn't ready yet.

I also had some queries about the supply of mail sacks. You may have an enormous problem with 552 sectional centers.

Mr. NICHOLSON. We have increased our procurement of sacks, and the Appropriations Committees of the House and Senate both have agreed with our needs for additional equipment.

Mr. CORBETT. May I ask, on that line, have you a fixed date when you expect to freeze the directory so a person making up a plate will know that this is it?

Mr. NICHOLSON. There will constantly be changes as new cities are created and so forth.

Mr. CORBETT. Granted that, my question is: Has there been a date agreed on yet when, as I say, a mailer can pick up a book and feel with confidence if he codes x thousand plates at 8 or 10 cents apiece they are going to be reasonably accurate?

Mr. NICHOLSON. I wish I could say flatly you could be assured right now, but, as I indicated earlier, there have been some changes that should not have taken place, and we think we have snuffed them out, and the directory—

Mr. CORBETT. What directory?

Mr. OLSEN. The January 1966 one, the one the Syosset postmaster had two copies of.

Mr. NICHOLSON. You understand we must process supplies of that kind through our supply centers. The inventory is in a supply center. The postmaster should without any trouble get supplies from the supply center. If one mailer needed 50 copies he could get them in a week or 10 days, but he may not, in Syosset, have that many on the shelves.

Mr. OLSEN. I know he wasn't being critical of his superiors, but he has been trying hard to get them. They were not available, and that was last Friday.

Mr. CORBETT. I come back to the same thing. With all these administrative problems—which problems are multiplied many, many times by the fellow who is trying honestly and sincerely to comply—why don't we get these bugs worked out as best we can. We know people move. Starting yesterday morning, in our Pittsburgh area, 20 percent of the people are estimated to be moving, which is the highest in history. There is nothing to be done about that. But regarding the remaining 80 percent, there should come a time when the Department is entirely ready to say, "Look, we can do this thing systematically, with dispatch and efficiency," and then that should be the date the thing ought to be enforced, not some arbitrary date.

Mr. NICHOLSON. There are at least two other aspects to this, Mr. Corbett. I believe your aspect is the hardship, the inconvenience of converting in a very narrow time frame. The two others I would call your attention to are (1) the handling of this type of mail by ZIP code will provide improved service and more certain delivery.

Mr. CORBETT. We are in agreement on that.

Mr. NICHOLSON. So the mailer who has not converted, if he is a letter shop, for example, the customers of that letter shop will not get the same value of service, because he is not using ZIP code, as will the customers of the shop around the corner who is.

Mr. CORBETT. Now the fellow who is not cooperating, is he complaining?

Mr. NICHOLSON. At the moment he is more concerned about inconvenience of converting by a given date. I do submit it could be a competitive disadvantage for a commercial shop not to have converted when his competitors have.

Mr. CORBETT. If that is clear to him, why wouldn't that be clear to the Department—that this fellow is going to comply just as fast as he can?

Mr. NICHOLSON. If he is, then he's a hardship case, and there would be a delay in the mandatory date.

The other aspect is the one of equity and, as I know you understand, there is a certain amount of total cost, the cost the mailer incurs and the cost the Post Office incurs. To the extent the mailer absorbs or assumes that cost, there is less left for the Post Office to absorb and the rate is justifiably lower.

Some mailers have indeed converted, and we are not hearing from them, unfortunately. Many mailers have converted, therefore assuming the cost and thereby allowing the Department to hold the postal rate low. It is not equitable for those people who have managed their business so as to keep the postal costs low, to allow those who have not assumed their share of costs to enjoy the low rate. If this stretched over too long a time, I think that inequity would become important.

Mr. CORBETT. There is no doubt about what the gentleman says being correct, but there are many, many cases of definite hardship where people just simply can't comply. I naturally think of the political mailer. Suppose the effective date was July 1966, and in our gubernatorial race this year perhaps both parties want to put out a million pieces. They just simply can't do anything by ZIP coding. They go to a printed list of registered voters, and there is nothing on those voter lists to even show the ZIP code. They have to use the oldtime methods.

What I am saying about 1966 won't be true, of course, about 1967 and 1968, but I can't, in my own mind, get around to any other state of thinking than that this ZIP code ought to be perfected to the ultimate that it can be perfected before it is imposed.

We have managed to get along without it for quite a while. Let's say it is going to be a great improvement. The improvement should come with the least possible damage to the users of the mail.

We do the same thing on highways. They go tearing right through parks and recreation centers, come hell or high water. We have got to have progress. We have got so much progress in some areas that we can't stand any more. The same thing may be developing here, and, in the name of progress, we are going to leave an awful lot of wounded along the route. I am only interested in reducing the number of casualties to a minimum.

I do think it is beholden on the Department to say, "Look, if we look at this 10 more years we couldn't do any better than we can do—bingo—on this date." Right or wrong, I am of the opinion we haven't reached that time yet. That is the only point of disagreement.

Mr. NICHOLSON. Certainly, Mr. Corbett, in the event of hardship there would not be the mandatory requirement in January 1967, but,

as a matter of principle or policy, in the absence of hardship we do feel that date is reasonable.

I happen to have spent some 25 years in the advertising business before I came here and I am familiar with direct mail and the various users of direct mail, and it is very difficult, of course, to speak of typical bulk third-class mail usage. I don't mean this disrespectfully in the least, but the Department of Commerce some years ago listed the users of third-class mail by type of business—and political mailings accounted for one-tenth of 1 percent of the total pieces—

Mr. CORBETT. Let me interrupt to say that one-tenth of 1 percent is awfully important to people who sit here.

Mr. NICHOLSON. I raise the point only because it is difficult to set a policy because of a specific problem in such a small sector of the industry about which we are thinking. In the event that because of its smallness and its nonrepetitive nature—and of course it is vitally important to very fine people—if that is such as to constitute a hardship, then of course some provision could be made for that category.

Mr. CORBETT. We have not written that into a fixed reason for hardship, have we?

Mr. NICHOLSON. No, sir.

Mr. CORBETT. What you are saying is like telling the unemployed person he doesn't constitute a problem, because he is only in the 3 percent of the unemployed in the country. To him he is 100 percent unemployed. That is why before this thing is mandatory, I think the hardship justifications ought to be written out, the same as legitimate deductions on your income tax are written out.

Mr. NICHOLSON. I think the committee was impressed, as best I read between the lines from their report of their trip to Europe, impressed with the state of the postal system in Germany. Germany introduced the ZIP code in 1962, before we did, I believe, and the mandatory presorting of mail to qualify for the reduced rate went into effect in 1966, so there is a 4-year period between introduction of the concept until the mandatory requirement. That is almost exactly the time frame we are working in—1963, from the initial concept, to 1967 for mandatory presorting to qualify for the preferential rate. So the kind of progress that the German system has made in mechanization as well as mail handling is the same aspiration that we have in this country, and we want to have a system as modern as it can possibly be.

Mr. CORBETT. Were the mailers notified that early, or was this order issued in February of 1965?

Mr. NICHOLSON. The order itself was in February of 1965. The notification was in February of 1965 and the actual regulations after tentatively being published in the Federal Register about that time, the actual regulations became official in July of 1965, I believe.

Mr. CORBETT. Then the 4 years which you are taking about in Germany have not been followed here?

Mr. NICHOLSON. No, sir. I think it's parallel. They did not announce they would require mandatory presorting when they first announced the concept. It is true they had permissive legislation for imposition of penalty in the event the mail did not have ZIP code, but they never did find it necessary to impose the penalty in the absence of ZIP code.

I am not aware, not familiar with the specific date when they announced to their customers that presorting would be mandatory.

Mr. CORBETT. I am not, either.

Mr. NICHOLSON. I can only move from the original concept to the mandatory date, which is about a 4-year period.

Mr. CORBETT. The announcement of the concept wouldn't put many people to work trying to ZIP code their mail so long as existing regulations were in effect and somebody was just talking about, well one of these days there is going to be mandatory ZIP coding. I don't think that would make many mailers get into the act.

Mr. OLSEN. I don't really see a parallel between Germany and the United States, except that we do have to go to some code system. The Post Office declares that we handle as much mail in the Christmas month as they handle all year, and so the problems that we have just aren't there. The hardships aren't present, and I don't think any parallel can be drawn. We have houses, mailers in this country, that probably handle more mail than the entire nation of Germany.

Mr. CORBETT. That is exactly right.

Well, the gentleman's summation is—not to put words in your mouth—that this January 1967 date ought to be rather rigidly enforced, and that there be some hardship allowances for those that can't meet it?

Mr. NICHOLSON. Yes, sir.

Mr. CORBETT. But you also agreed, I believe, that there have been no guidelines drawn for hardships?

Mr. NICHOLSON. They are quite simple, if I may inject them. If the mailer has indeed made a sincere effort to convert his process to comply and he has met an obstacle—

Mr. CORBETT. Suppose the bank won't lend him the money to comply? He has made a sincere effort then. Or perhaps he thinks his business can't stand to pay the new interest rate that will be imposed on a business loan.

Mr. NICHOLSON. Even so, there is a pair of alternatives to examine. If he cannot invest the capital at that time to convert nor to qualify for preferred rate, he might find it more economical to mail at the 4-cent-per-piece rate. He is not cut off from the use of the mail. It is only whether or not he has assumed that share of the total cost that enables the Department to handle his mail for the remaining part of the cost he pays for postage.

For several years the Department has been very sympathetic about refraining from recommending any rate increases in this area because of the fact that the mailers were making investment in getting this equipment and the extra costs of handling. I think it would be quite inappropriate if at the same time the Department has not pressed for the rate increases, because the mailer was going to relieve the Department of part of the total cost, and at the same time the mailer refrained from taking up a share of the cost and, without his own contribution, still enjoyed the low rate extended because he was going to pick up part of the cost.

Mr. CORBETT. The increase of $1\frac{1}{8}$ percent per piece on bulk mail is not a slight increase. I can recall when you used to mail third-class mail at a penny apiece. Now it is $2\frac{7}{8}$. If I can't comply with another cent and an eighth increase, which would make it 4 cents apiece, or from \$10 a thousand to \$40 a thousand, with any large mailing, this just drives me to the newspapers.

Mr. NICHOLSON. Yes, sir; it is a \$11.25-per-thousand differential.

Mr. CORBETT. And that is big.

Mr. NICHOLSON. Yes.

Mr. OLSEN. As a matter of fact, the imposition of ZIP code on mailers is a rate increase?

Mr. NICHOLSON. It's in lieu of a rate increase; yes, sir. If the mailer preferred to let the post office do all the work, the post office should be compensated for that work.

Mr. OLSEN. Instead of requiring sorting and sacking to all 552 sectional centers, plus some other burdens with multicode cities, wouldn't it be mechanically feasible for the post office to do the sorting with machinery to the last double of digits? Wouldn't third class be more adaptable to machinery than any other class of mail?

Mr. NICHOLSON. Yes, it would be. In fact, the optical scanning device now operating in Detroit can read all five digits of the ZIP code and sort that mail to, I believe—267 destinations—and can do it at the rate of 36,000 an hour. So that such a machine, given ZIP codes in the printed or typewritten addresses, such machine can now read very efficiently.

Mr. OLSEN. We have another situation where, for instance, General Foods, by their coupon system or by whatever system they are inviting mail, receives, according to the testimony of one of our letterwriters, only 30 percent of its mail with the ZIP code on it. Is there some relief the Post Office can give to a mailer who has to ZIP code 70 percent of his mailing? Is there some service we can give until, say, 90 percent of the public are putting ZIP code on return addresses?

Mr. NICHOLSON. The remedy, of course, is to increase the extent of the public use of ZIP code.

Mr. OLSEN. Certainly; but this is a time factor. No one is going to relax on educating the public, but I am thinking of the time factor, from the present situation where 30 percent are using a return ZIP code to the time when we might get 90 percent.

Mr. NICHOLSON. Other examples I gave in my statement indicated a much higher degree of compliance than General Foods.

Mr. OLSEN. That is certainly so. We are going to hear witnesses who will give us some detailed answers. We are asking them to come and give their actual findings, again not because of any antagonism, but because of hardships. The feeling seems to be that maybe the man or the company isn't well informed enough, or maybe the equipment was not available as soon as the Post Office anticipated, but this is another situation. Maybe the ZIP code in the return address isn't available because the public is not supplying it.

Mr. CORBETT. Did you want to respond to that?

Mr. NICHOLSON. If I may, just one bit of information.

In our accounting period No. 11, our continuing survey of ZIP code shows 54 percent using the mail use it in the return address, 73 percent use it in either the return address or the destination address; so, we feel we are quite well along. Specifically, users such as Kaufmann, in Pittsburgh, indicate much higher compliance than these averages we have out of the accounting period No. 11.

Mr. CORBETT. Mr. Chairman, I have one more question, and then I have another appointment.

Getting back to this matter of the 4-cent rate. Am I not correct in believing that, if the users of the mail dropped 4-cent bulk rate

pieces in the mail, then the Post Office would have to sort them, would they not?

Mr. NICHOLSON. Yes, sir.

Mr. CORBETT. Would they be able to?

Mr. NICHOLSON. Yes, sir.

Mr. CORBETT. You mean you have the personnel, or you feel you could hire them to do this, if there was any important trend toward using the 4-cent rate?

Mr. NICHOLSON. It might require more man-hours of postal employment than at present. However, the \$11.25 differential is such that it would be helpful for us to handle; yes.

Mr. OLSEN. Here is another situation. A large mailer is certainly planning now for a mailing next January and February. He has many problems—and you know these better than I do—preparing something, getting it printed, getting the list and getting addresses, finally getting them mailed. Shouldn't you be opening your doors now and listening to the large mailer about his problem, so he could be planning for his mailings next January and February.

Mr. NICHOLSON. I made a generalization and that is usually not a good thing to do, Mr. Olsen. I think you are right. I think if a mailer can actually identify or describe the situation he finds himself in now, he should feel free to submit it as a hardship.

I was impressed when you said you had received many letters—I forgot how many you said—from businessmen who said they felt the date was unreasonable. I was surprised, because we have not received such letters. We would be very glad to have those letters and analyze them, and look at them from the point of view of potential hardships.

Mr. OLSEN. I think that is very well taken. After we have heard the witnesses tomorrow and next week—and I would hope you would have some Department people here—we will open this up. It isn't that we are just sitting here and being critical. We are skeptical, but not critical. We want to help. Most of all, we want to help these business people so that they don't suffer unnecessarily.

Mr. NICHOLSON. We have been very appreciative of the efforts of the business community as a whole, the business mailers, the U.S. Chamber of Commerce. We have had so much cooperation and help from the business community that we would be very anxious, if you would let us have those letters, to let our customer-relations people look at the specific problems, and have them call on them and work cooperatively with them for solutions. In the event there are no practical solutions, they would indeed be hardship cases.

Mr. OLSEN. Thank you. I would like to again refer to Mailmen, Inc., because we were just there. They have a problem, and it is enormous. They are not, as you said, a typical mailer, but they are a mailer. I, myself, saw a long list for a million-piece mailing, and certainly not all of those lists provided are ZIP coded. If you grant a hardship exemption, will Mailmen, Inc., be able to take advantage of that situation, and use that man's list?

Mr. NICHOLSON. The fact it is not ZIP coded at this time doesn't necessarily mean the list he uses toward the end of the year will not be.

Mr. OLSEN. Assuming all the lists are ZIP coded, Mailmen, Inc., will have a problem of space. They will have to acquire space and equipment, new sacks, for sorting to the 552 centers. They are going to mail something in January and February of next year, and there has

to be some real assurance they can get space. They have just as much a space problem as you have in your large post offices. Instead of you taking up the space in the post offices, they are going to have to provide the space. So, I think you have got to hear these complaints before next November.

Mr. NICHOLSON. I think the chairman's suggestion for us to have representatives present and to talk specifically about the details, such as whether all the 552 have to be sacked up all at one time, whether first he could sack to the 50 States and then take these sacks down, thus conserving space and—

Mr. OLSEN. How many handlings to do that?

Mr. NICHOLSON. Perhaps two or three handlings.

Mr. OLSEN. Or more.

Mr. NICHOLSON. But those handlings he makes are not made in the post office.

Mr. OLSEN. Right, but there is a situation in the large post offices where you are putting in mechanized equipment. Some service could be done by the post office for third class if it is standard size, and I think some concessions ought to be made there.

Mr. NICHOLSON. Yes; and of course it is handled at the delivery end in order to get it down to delivery route.

I think you are raising some very good questions, Mr. Olsen. I think if we do continue to think of total cost between the origin point of mail and the final delivery, and what is the most economical, efficient, and socially least cost of dividing that up between the person that originates the mail and the service that the Post Office Department supplies—the only thing I believe I am stressing is the mailer cannot at one and the same time not incur a fair share of that cost and at the same time not reimburse the Post Office Department for the remaining cost the Department is left to handle.

Mr. OLSEN. One last question. It is one that is really far out, but let's try to field it. With reference again to the 552 sectional centers, it has come to the attention of the subcommittee that there are 930 different first three digits. Does this mean that certain of the 552 sectional centers service more than one three-digit first number?

Mr. NICHOLSON. Would you ask that again, please, Mr. Olsen?

Unless I misunderstand you, if there are 552 sectional centers there can be only 552 different numbers.

I am wrong. I am sorry. The sectional center can have more than one number; yes, sir.

Mr. OLSEN. Newark is an example, it serves Jersey City and Elizabeth. It must mean that certain of the 552 sectional centers serve more than one three-digit number. That is the example.

Mr. NICHOLSON. Yes, sir. For example, Mr. Mills has given me the symbolic example. In Rochester, N. Y., for example, there may be one sectional center number for those associated offices served out of Rochester when the initials of those post offices are between A and L, and it would have a different number for those whose initials are from M to Z.

Mr. OLSEN. How can the bulk mailer possibly know which of the particular numbers to use for a particular sectional center?

Mr. NICHOLSON. If you are coding for three digits, he has for, let's say, Apple, N. Y., when he looks up Apple he will get the full five digits

that are correct. So he would sort and sack by the digits that appear in the post office address.

Mr. OLSEN. An expansion of the system will bring him confusion, will it not?

Mr. NICHOLSON. If additional numbers are assigned to sectional centers, breaking the alphabet into three parts, for example.

Mr. OLSEN. You are requiring the mailer to route the mail. How can he do it without knowing the distance between Newark and Jersey City and Elizabeth?

Mr. NICHOLSON. May I ask, Mr. Charles A. McIntyre, Director of Distribution and Routing Division, Bureau of Transportation, who is one of the world's greatest experts on transportation, to reply?

Mr. OLSEN. Right.

How can a mailer know how to route the mail between Jersey City, Elizabeth, and Newark unless you expand the numbers?

Mr. McINTYRE. In the particular case, 070 represents the Newark sectional centers. The other three numbers are zoned cities. This is not an untypical case at all because we have in the sectional center at Newark three large cities, all of which are zoned, so the mailer would simply sort according to the code he was given. He does not need to make a decision, because we would like to have it sorted to all digits as shown.

Mr. OLSEN. You don't presume that you would try to have the mailer sort to the mail route?

Mr. McINTYRE. The five-digit code does not identify a carrier route. It identifies either a city within a sectional center or a delivery station within a large zoned city.

Mr. OLSEN. What is the limit to which you expect a mailer to sort?

Mr. McINTYRE. To the fourth and fifth digit, to the five-digit code. The five-digit code represents a city or delivery station within a city. Those are the limits to which the presort is asked.

Mr. OLSEN. Thank you very much.

The subcommittee is adjourned until tomorrow morning at 10 o'clock.

(Thereupon, at 12 noon, the subcommittee was adjourned, to reconvene at 10 a.m., Wednesday, May 4, 1966.)

ZIP CODE SYSTEM IN THE U.S. POSTAL SERVICE

WEDNESDAY, MAY 4, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL FACILITIES
AND MODERNIZATION OF THE COMMITTEE ON
POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10:20 a.m. in room 346, Cannon House Office Building, Hon. Arnold Olsen (chairman of the subcommittee) presiding.

Mr. OLSEN. The Subcommittee on Postal Facilities and Modernization will come to order.

Our first witness this morning is Harry J. Maginnis, president, Associated Third-Class Mail Users. He has several distinguished mail users accompanying him—John M. Keating of the College Bureau in New York, N.Y.; Richard Landsman, Greystone Press, New York, N.Y.; H. Glenn Schneider, Schneider Addressing Service, Kankakee, Ill.; and Stanley Woodruff, of Ed Burnett, Inc., New York, N.Y.

Mr. Maginnis.

STATEMENT OF HARRY J. MAGINNIS, PRESIDENT, ASSOCIATED THIRD-CLASS MAIL USERS

Mr. MAGINNIS. Thank you, Mr. Chairman.

Mr. OLSEN. I understand you have some others who aren't listed, and I would ask you to introduce the entire party.

Mr. MAGINNIS. Will the gentlemen who are going to testify come up to the table with me?

Mr. Chairman, we have one substitution. Mr. Landsman has not been able to come, but we have with us Mr. Norman Nelson of Consumers Marketing Research Services, who has prepared testimony with him and will be a substitute for Mr. Landsman with the permission of the committee.

Mr. OLSEN. Thank you. The record will so show.

Mr. MAGINNIS. Mr. Chairman, I had the privilege last year, as you know, of issuing a somewhat comprehensive statement on this subject, and for that reason I have limited my remarks this morning to about 5 minutes and would hope that the expert witnesses with me could throw a little more light on this complex subject.

So I will start with my own statement.

The willingness of the subcommittee to hear further testimony on the complex ZIP code issue is most encouraging. Unless the representatives of the people continue to explore the most gigantic regulatory change in the history of the American Republic, Congress will eventually be called upon to explain the chaos and corporate

destruction which the ZIP code, either wittingly or unwittingly, is designed to produce.

For 40 years bulk third-class mail users have been participating in the free enterprise system under conditions laid down by Congress. The Post Office Department now seeks to change the rules of the game by disowning the testimony of their own witnesses before this committee 40 years ago.

In 1926 the Post Office Department came to Capitol Hill and asked that legislation be enacted creating a deferred category of mail. The Department needed a large volume of nonpreferential mail which could be handled during slack periods by valuable postal clerks.

Congress responded to Department appeals, but before doing so, elicited promises from postal officials that unreasonable sortation requirements would not be imposed upon third-class mailers. In order that this subcommittee in 1966 might have before it the clear terms by which third-class mail was to be governed, I quote the testimony of that day. Congressman Kelly, the congressional questioner, is known as the father of the modern postal service. His book, "U.S. Postal Policy," is required reading for every student of the subject. Mr. Stewart, the responder, was an official of the Post Office Department.

Then we have this critical testimony:
(The material referred to follows:)

Mr. KELLY (of the Post Office Committee). Mr. Stewart, when we adjourned yesterday, I was questioning you regarding those regulations of the Department as to third class. Do you remember?

Mr. STEWART (of the Post Office). Yes. I am glad to have the opportunity, Mr. Congressman and gentlemen of the committee, to explain that feature, because there have been sent out over the country to the mail users of third class, statements which have led them to believe that we are going to exact very unusual things in regard to the makeup of this matter. That is entirely without any intention to prejudice the case. It was a misunderstanding. What we expect to do is in accordance with this provision in the bill, which reads (and this is the provision of law that stands today):

"*Provided*, That under such regulations as the Postmaster General may establish for the collection of the lawful revenue and for facilitating the handling of such matter in the mails, etc."

Mr. RAMSEYER. Where are you reading from?

Mr. STEWART. I am reading from line 9 and following on page 4 of the bill in regard to third-class matter. This provision is similar to the provision of law authorizing the mailing of matter without postage stamps affixed. That is the permit matter as it is generally known. And following the provision of regulation "for facilitating the handling of such matter in the mail," the Department regulation provides as follows. That is the situation with reference to permit mail.

The CHAIRMAN. How long has that been in existence? It is an old thing, is it not?

Mr. STEWART. Yes. I will give you the date in just a moment I have it here. I will get you the exact date. I think it was about 1921 when we first had the data with reference to the amount of revenue we received from that class of mail. This is the regulation which the Department has promulgated in that connection:

"To facilitate the handling of such matter in the mails, the mailer must comply with all reasonable requests of the postmaster for the separation thereof into States, cities, etc."

The idea got abroad that we would require separation into R.P.O.'s which would make the provision impracticable. All we expect to do is to require similar or practically the same regulations with reference to this matter as we do now for permit matter.

Mr. KELLY. You certainly would never request that they separate according to streets and rural routes or anything like that?

Mr. STEWART. Oh, nothing of the kind. This follows the primary separation. It is the first one, you might say, and it is not difficult—just the cities and towns, and States.

Now, I have said in that connection to those who have written in about it and seemed to be disturbed, that the Department has not favorably considered any proposal to require a greater separation under the proposed law in accepting third-class matter in bulk than that which is required under the law and regulations quoted with reference to permit matter generally. It is believed that such a separation will fully meet the requirements of the postal service. I make the statement on the authority of the Third Assistant Postmaster General's office, which has charge of that feature of the service.

Mr. MAGINNIS. Can anything be clearer than Mr. Stewart's reply concerning the law his Department desired? Is it any wonder that students of the subject ask whether the mandatory ZIP code regulation is not another effort by appointed public officials to usurp, to arrogate unto themselves, the final decisions on postal policy?

I say that the time has come to halt laws by hasty regulation. Mr. Nicholson yesterday stated that few, if any complaints, about the ZIP code system had been received by the Post Office Department. He speaks the truth, but I can tell him why that is so. Mailers in the United States understand that all postal policy is delegated by the Constitution of the United States to the House and to the Senate. Postmasters General come and go. They may propose and recommend, but in the end the Congress must make final decisions.

Why should mailers seek relief at the Post Office Department level? Their right to petition extends to their elected representatives, the Members of Congress. Mr. Nicholson concedes that there will be hardships created by the mandatory ZIP code order and now seems willing to grant exemptions under hazy, quasi-judicial procedure. To me that is not enough.

Had the Department proceeded in proper fashion with its ZIP code system, it would first have provided for orderly hearings under the Administrative Procedures Act. Some impartial examiner then could have heard expert witnesses and sifted the truth from fiction. That was not done. The Postmaster General even denied that he had the responsibility to proceed under the provisions of the Administrative Procedures Act. He invited letters regarding his mandatory ZIP code proposal. In spite of Mr. Nicholson's statements that few objections have been received, I can assure the subcommittee that several hundred if not thousands of objections were lodged. I received copies of several hundred such letters and can produce them if desired. It seems to me, however, that Mr. Nicholson should examine postal files and submit to this committee the letters which were written when the mandatory ZIP code order was first proposed.

Moreover, this association has made more than clear its position in opposition to the terms of the order as it now exists. Another large trade association the Mail Advertising Service Association, also adopted a resolution opposing the compulsory ZIP code order. It is also significant that the 2 million retail companies in America lack representation on the Postmaster General's Technical Advisory Committee. Have these permitholders been heard from?

If ZIP code is so great and beneficial, which companies have seen the value of the system and knocked on the doors of this subcommittee to obtain an appearance? One large trade association, the Direct Mail Advertising Association, made an appearance, but its witnesses were unable to say whether the membership was clearly for or against the proposal.

We did have the benefit of the views of the newspaper representatives. They like the program, but their thinking should be viewed in relation to the first major change made in the ZIP code program. Mr. Gronouski granted them a *carte blanche* exemption. Newspapers are not required to include the ZIP code number on their publications if they continue to provide a sort which has been demanded of them for over a generation in order that they might continue to enjoy the "red tag" or preferred handling which the product demands.

Newspapers publishers like the Wall Street Journal want to continue to enjoy this red tag or preferred handling so that the product might be on the reader's desk each morning with his first-class mail and airmail. It would have been far better had Mr. Gronouski required the use of numbers on newspapers. How better advise postal patrons of their own ZIP code number? Somebody caved in, however, and the newspapers got what they wanted.

I thought, in the beginning, that the use of numbers would assist the Department internally in the distribution of mail, but I now have many misgivings. I have now had time to reconsider. It is my present judgment that the mandatory order of January 1, 1967, will only serve to drive countless small mailers out of the postal service; that the terms of the regulation are such that one can only conclude that the architect had in mind a serious reduction in third-class mail volume or, at best, a diversion of the ratemaking power from Congress to the Post Office Department.

Mr. Nicholson testified that all were on notice that ZIP code was a *fait accompli*. This supposition denied the right of Congress to review major postal policy decisions. The use of numbers on the mail has been kicking around for more than 40 years. Members of the subcommittee are not unaware of the ill-fated zoning drive of 20 years ago. These numbers have now been abandoned.

It takes no genius to calculate the measure of uncertainty which surrounded the launching of the present ZIP code ship. Ed Day said one thing would happen, John Gronouski another. Larry O'Brien arrived on the scene from his White House duties with little knowledge of the program.

We in the industry do know that Mr. Robert Huse of the Customers Relations Division told our trade associations in January 1964 that mandatory ZIP coding would not be ordered in the "foreseeable future." The remarks of this highly placed postal official were widely quoted in the trade press and association bulletins.

How, then, can Mr. Nicholson charge with such assurance that the time gap between the launching of ZIP code and January 1, 1967, will occupy a period of 4 years?

Moreover, the Department time and time again has changed the rules, reducing in one instance the number of multicoded cities from 1,100 to the present 314. Those who had put multiple numbers on the originally designated 1,100 multicoded cities ended up with egg on their face.

It was first proposed that sectional center sacking of bulk mail would be required by July 1965. In my judgment the Department never really believed that such a program could really succeed. No accurate ZIP Code Directory was available at that time to permit such sectional center sacking. The 1965 book quickly went out of

date. We now have a new directory issued earlier this year. This, too, is out of date. It will probably be reedited and released sometime in July.

Mailers should not be faulted for failing to understand the ZIP code concept or the manner in which it would be implemented. Department propaganda would have all believe that everyone was on notice that a presort by five digits was as certain as the night following the day, yet postmasters throughout the land—the men who are supposed to know what is happening at headquarters—they, too, did not get the message.

Thus, we have the humble admission by Mr. Nicholson that as recently as 2 weeks ago individual postmasters, unaware of the prohibition against their doing so, were changing ZIP code numbers right and left, leaving the \$7, unavailable ZIP Code Directory shot through with inaccuracies.

I have advised mailers that they use that official Government document at their own risk. Having been burnt once by the reduction of multiple ZIP-coded cities, they were inclined to take the Maginnis advice. After all, the American Republic is a free enterprise system where the word "profit" is not an ugly word. Most businessmen are wary of Government ukases issued without prior hearing, and they will continue to rely on the good judgment of Members of Congress who always are willing to receive and listen to their protestations.

The purpose of these hearings is to explore the hardship exemptions which the Department will dole out to mailers on a catch-as-catch-can basis. If the local postmaster or regional director does not particularly care for an individual mailer, his appeal for relief is lost before it is presented. No appeals procedure is provided for. No hearing examiner. No commission. No impartial jury. This is no way to run a railroad. It may work, but mailers goaded by the ZIP code requirements will be seeking relief through their elected representatives. Like it or not, Congressmen will become involved in an advocate proceeding.

In my judgment, the subcommittee should issue an invitation to all bulk mail permitholders to express their views on the mandatory ZIP code order. The Department has a list of all permitholders. If there are mailers who like the system, they have not put in an appearance here. On the other hand, hundreds of letters have been received by the chairman explaining how and why the proposed order will cause incalculable hardship.

The system as now designed, in my judgment, cannot be made to work in a majority of cases until all mail patrons use their proper ZIP code numbers. If, on the other hand, the Department has as its goal the enrichment of those mailers possessing expensive computer equipment, it is the perfect blueprint for doing in the small fellow. I cannot idly sit by and allow that to happen. I hope the committee will agree with me, and others, who feel the same way.

Mr. OLSEN. Thank you very much, Mr. Maginnis. You have some other people there with you. Do they have prepared statements that they would like to present?

Mr. MAGINNIS. Yes. I would like to have them proceed.

Mr. OLSEN. Let us proceed with them before we have questions.

Mr. MAGINNIS. I would like to introduce Mr. John Keating, College Bureau, New York, N.Y.

Will you proceed, Mr. Keating?

STATEMENT OF JOHN M. KEATING, COLLEGE BUREAU, NEW YORK, N.Y.

Mr. KEATING. My firm, College Bureau, of 10 East 40th Street, New York, has one of the really unique and most difficult problems about which I have heard in connection with postal ZIP coding.

Our list must be completely recompiled each year.

Ours is a small company, doing a sound, legitimate business, compiling a nationwide list of college students. Starting in September of each year we must compile, in time to finish addressing a mailing by January 10, a list of 1,600,000 college students at college addresses. By the following August we must compile a list of 2,600,000 college students at home addresses and address the list 3 times.

By the very nature of the beast a list of college students must be recompiled from scratch each year. The reasons are obvious. In the fall a group of new students—freshmen—joins the student body of the school. These freshmen compose at least one-fourth of the student body. In June another fourth of the student body—the seniors—graduates and leaves. In between there are many dropouts. Those who stay in school are constantly moving from one dormitory, or roominghouse or apartment, to another.

Back at home the constant normal proportion of change of address of the families takes place.

Experience has proven it is unsound to try to carry a list for more than 1 year and add and subtract names to keep the list up to date.

Each year after we get out our August mailings we have to throw our list away and start over. ZIP code numbers we were able to get last year are not transferrable to this school year's 1,600,000 new names. A large fraction of these names and of the addresses is new.

Other types of list compilers can get the ZIP code numbers of an address on a list and keep it and use it for many years and hundreds of addressings. We can't use it for more than one school year.

By September 10 of each year, we begin contacting colleges for the list of students for the coming year. In the summer of 1965, the Postmaster General wrote to every college and university in the country asking that they include ZIP code numbers in their student directories to aid in generating mail with ZIP code numbers. This resulted in our obtaining from the directories 308,732 home addresses with ZIP code numbers, which is a lot of ZIP codes, but it is only 11.87 percent of our list.

We must obtain the directories and type 1,600,000 names and addresses by January 10 each year.

As I stated, we start in September contacting the schools and universities to get a roster of their students. After the students enroll, these must be compiled and published by the school and are released at various times during the school year beginning in late October or early November.

Usually, in November and that part of December before Christmas, a very substantial number of the rosters are released. The mailing season is such that it is necessary for us to have for our customer,

prior to January 10, 1,600,000 of these names each typed on a customer's mailing piece.

Few people have any comprehension of the many hours it takes to type 1,600,000 names. If a typist can type 200 names an hour, it would take 8,000 hours. Imagine how long it would take to look up the ZIP code numbers, let alone including them in the above addresses as they are typed.

Practically all of this addressing must be crammed into the latter part of November and the month of December. The only way we can get it done is to contract it to a firm on Long Island which employs about 120 housewives as part-time workers. These women are subject to the Federal minimum wage and hour law and many of them make their Christmas money in this way. All of them are delighted to get this work. Time and experience has proven to the customer that it must mail on January 10. If we cannot get this mail to the mailing house by January 10, our list simply will not be used.

The mailing serves a desirable purpose. This mailing goes to the students at the college address. It is an offer of a subscription to a weekly news magazine at a subscription rate of about half the usual subscription price. It is a valuable adjunct to education, or at least it is so regarded by many educators. It is felt, generally, that a weekly news magazine stimulating interest and keeping the student up to date on current events is a desirable and vital part of his overall education. In turn, our client feels it is a desirable investment to offer these below-cost student rates in the hope that the goodwill that will thereby be generated will stay on and not rub off throughout the student's adult life. The student rate subscriptions are much below our customer's cost.

IMPOSSIBILITY OF LOOKING UP ZIP CODES

During the short period between the time we begin to get these directories and the mailing date, it is impossible to look up, one by one, the ZIP code numbers of these students at their school addresses.

Do not get the mistaken idea that all of these students live in dormitories on a college campus. These days there are not enough dormitories. For instance, the students going to Columbia University live all over the metropolitan area of New York, into Connecticut and into New Jersey. The same general pattern is true of practically every school in the United States. The mailing house mailing this solicitation of subscriptions must make a complete sort of this mail.

THE PROHIBITIVE COST

You very well may know that the going rule-of-thumb guide for the price of rental of this general type of mailing list is around \$15 per thousand. This includes the typing of the name of the mailer's mailing piece. This relatively illustrates our receipts. Anyone can see that for anything like this no one can afford to look up these ZIP code numbers and then type the names and addresses on the customer's mailing pieces for anything like this \$15 per thousand.

Further than this, the caprice of the mailing season is such that this is the only mailing done to the college addresses of these students

by any of our customers who use our entire list. Testing and experience has proven that the rest of the school year is not as desirable a time to mail to students at the college addresses as is this January 10 date.

HOME ADDRESSES OF STUDENTS

For the home addresses of the students, which, for most purposes is practically a different list, we have three customers:

(a) The same weekly news magazine that mails to the college addresses in January;

(b) A magazine subscription agency; and

(c) An insurance company selling to the parents—at a most inviting price—term-convertible life insurance on the lives of students.

The first two insist on mailing in the latter part of August so that the mail will reach the student just before he returns to school in the fall. Testing has proven the importance to each of them of this. Therefore, the typing of these two jobs must be done in the summer-time after the customer's mailing material is ready.

This is a tremendous job. At 200 addresses an hour it would take 26,000 man-hours. We contract this addressing out to the same Long Island firm. Over a hundred women, as part-time workers, earn vacation money for themselves and their children.

Just as it was impractical to look up the school address ZIP code one by one, it is likewise impractical to look up the home address ZIP code numbers. The cost of the work could not be done within our price for the list.

Unfortunately for us, this August mail date is so valuable that it is most difficult to sell the list to other customers for other dates during the year. Therefore, we cannot count on other users.

THE EFFECT OF COMPUTERIZING

If we take this addressing to a computer it will deprive over a hundred women on Long Island of this opportunity to make this additional income. This income pays their Christmas expense and for many of their vacations, besides necessities for many.

Further than this, the best estimate we have obtained is that the cost of putting these names, with college addresses and home addresses on a computer and ZIP coding them would run at least \$55 per thousand.

The figure we have been given is that it would cost about \$3 or \$4 per thousand each to print out this list. This would mean that the keypunching of this list, and running it as above set forth, would cost us per year about \$170,000. Our total receipts are less than this. And, we must pay our other very substantial expenses of collecting the directories, preparing addressing instructions for each directory, and our general overhead. Besides, we like to be compensated for our own time. The cost of putting these names and addresses on computers would make it prohibitive to attempt it.

IS COMPUTER ZIP CODING ON THIS LIST POSSIBLE?

We are told such a job can be done—has been done—but not by anyone who is willing to do it for us. One of the top computer companies in the country is presently making a study to see whether

our problem, with all of its vagaries and volume, can be handled in the short time available each season, but there is no decision by it that it can be done, and the closest thing to a price which we have is the \$55 per thousand for keypunching and putting names and addresses on the tapes and ZIP coding them.

In addition, as stated, it would cost approximately \$3 to \$4 per thousand for the running off of each printout of the list.

However, this company—and it is a good one—has not had actual experience at ZIP coding such a list. We are supposed to take a gamble to see if they can do it. If they fail we probably stand to lose the \$170,000, our customers, and our business. And, electronics has failed in the past.

SUMMARY

We have a perfectly legitimate and socially justifiable and desirable business which accomplishes the following results:

(a) Aids in giving college students an opportunity to obtain at a low price a valuable adjunct to their education—that is, a subscription to a weekly news magazine at a low cost;

(b) Gives over a hundred housewives part-time typing work on Long Island, which enables them to earn Christmas and vacation money and necessities, in spare time; and

(c) Aids in making available to parents of college students insurance on the students' lives at a nominal cost.

All of this will be impossible under a requirement of ZIP coding by January 1, 1967. Computerizing is prohibitive in cost and will deprive the above people of employment and force us out of business. Hand, one by one, looking up of ZIP code numbers is completely impractical by reason of the shortness of time and excessive cost involved. Computerizing is an uncharted field. We have no proof that keypunching can be done within our time schedule. Its cost would exceed our total annual receipts, and we would have to take the gamble that it would work.

Most of this results from the fact that this list must be completely recompiled each year. If the same name, same address, and same ZIP code number were used each year, the result might be different.

We earnestly urge a substantial extension of time during which we may be able to induce the respective colleges and universities to include the ZIP code number of each student in their student directories.

Thank you.

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

Mr. Maginnis, do you have others?

Mr. MAGINNIS. Mr. Chairman, I think at this point the testimony of Mr. Norman Nelson, president of Consumers Marketing Research Services, will throw some light on the difficulty of using the ZIP Code Directory.

Mr. Nelson.

STATEMENT OF NORMAN I. NELSON, PRESIDENT, CONSUMERS MARKETING RESEARCH SERVICES, INC., HACKENSACK, N.J.

Mr. NELSON. I, Norman I. Nelson, am president of Consumers Marketing Research Services, Inc., headquartered at 44 Essex Street,

Hackensack, N.J., which is in the business of compiling information for business and industry.

Our reporting business is an effort to compile daily information on people and business that move or change their status. This is important to the economy because industries want and need this information for the daily efficient operation of their business.

There is a tremendous need for this type of service in today's highly mobile economy. In the past 8 years our organization has been compiling this statistical information for the purpose of updating, increasing sales potential, and assessing local increase of population and other important specific needs.

Our operations cover major marketing centers throughout the United States. Each month we report between 200,000 and 400,000 new changes depending upon the season of the year. We must start from scratch every month to develop an entirely new list. For our clients that conduct mail solicitations, we process our information on to label form for their use.

Formerly, upon the development of a change, we simply typed the name on label form. Today we must type the changes on single sheets, sort them into ZIP-coded areas, and then retype on label form. Our production costs are now tripled.

As a businessman, taxpayer, and concerned citizen, I cannot help but be most sympathetic to any endeavor to upgrade the efficiency and well-being of our postal system. I also feel, however, that this must be accomplished on a sound and reasonable basis for all concerned. Such is not the case today. Here are a few of the problems that we face in our operations:

(1) We have been ordered to accomplish a task without being given the proper tools. The 1966 national ZIP Code Directory is neither accurate nor complete. We can spend endless time writing about the different errors and omissions that exist in this publication, but we will cite one simple example: Page 928 omits New Market, N.J., ZIP 08854, which is a first-class post office.

(2) The Post Office has never been able to and probably never will be able to educate all of our citizens to use the correct post office on their address versus their locality, section, or development. This is the most serious problem inherent in the ZIP code system and requires that a more realistic view must be taken of this matter.

We can well appreciate the stand taken by the Post Office in the past relative to recognition only to official post offices as being usable addresses. We should also note that it has been a source of wonderment to us on the volume of mail that did get delivered without such official addresses.

As of January 1967, as we understand it, the ZIP code will be the single key for directing the movement of mail. In essence, this means that the major task of the sorting of mail has been shifted from the post office to list compilers such as ourselves.

Example: If a citizen decides to list his address as Lake Iosco, N.J., there is absolutely no source for us to know that his mail should be directed to Haskell, N.J., ZIP 07420, without going through the costly process of contacting the sectional center at Paterson, N.J. This process may also involve the contacting of several centers before finding the right one. Even then it is wholly dependent upon the cooperation of the particular individual contacted.

We find that the post offices in general are very cooperative, but in many cases they are just as uninformed as the total postal system, and provide no information whatsoever.

A prime example of the seriousness of this situation can be taken from the front pages of local telephone directories that give a listing of localities covered and used as addresses by families by that book.

Bergen County, N.J., has 49 official post offices. Its telephone book lists 89 localities.

Morris County, N.J., has 49 official post offices. Its telephone book lists 160 localities.

Passaic County, N.J., has 14 official post offices. Its telephone book lists 89 localities.

In the State of Maryland, every month, we develop names from the following localities that we have never been able, as yet, to assign to a proper ZIP code office.

I will not read these names. There are 300 names here made up of sections, locations, developments, landmarks, et cetera, and it has been impossible for us to get a ZIP code number for any one of the areas.

(The names referred to follow:)

Academy Heights	Bon Haven	Della
Admiral Heights	Bowlys Quarters	Dennis Grove
Allview Estates	Briarcliff	Druid Park
Alpha	Brinklow	Dundee
Altoona Beach	Bradly Park	Dunmoor Estates
American University Park	Broad Creek	Dunwood
Amberly	Broadview	Easterest
Anchorage	Brock Hill Manor	Eastwood
Andrews Manor	Brock Hall Estates	Eastover Knolls
Aquahart	Brokskys Trailer Park	Edgemere
Arrowhead	Browns Woods	Edgewood Meadows
Arundel Hills	Bryans Road	Edmondale
Ashcroft	Burdam	Edmondson Heights
Aspen Hill Park	Burkshire	Edmondson Park
Aspen Knolls	Bynum Ridge	Eldridge
Atholton Manor	Burtinsville	Elvaton Acres
Auth Village	Cape May	Elmhurst
Autumn Glen	Cape St. Claire	Emory
Avondale Grove	Captains Cove	English Council
Back River	Carriage Hills	Eudowood
Ballard Gardens	Carrollwood	Fairmont Park
Balto County	Cedar Heights	Fairwinds
Barbers Trailer Court	Charles Manor	Fernglan Manor
Barnaby Village	Chartwell	Fleishman's Village
Bay Head	Charing Cross	Floral Park
Bay Vista	Chatham	Floherville
Beacon Heights	Chesapeake Village	Font Hill Manor
Bells Ville	Clearview Village	Forrest Knolls
Beauty Beach	Cockyswood	Fort Sumner Hills
Beech Field	Cold Spring Lane	Fox Chapel
Bel Forrest	College Heights Estates	Fox Hall
Bel Haven Beach	College Manor	Fox Ridge
Bembes Point	Collsville	Fox Rest Woods
Bengies	Colgate	Friendship Gardens
Bethany Manor	Country Club Estates	Gamber
Bethgate	Country Ridge	Garth
Birchwood City	Columbia Hills	Glen Burnie Park
Bittersweet	Crab Creek	Glen Cove
Bloomfield	Crestwood	Glends Park
Blyndon	Cross Keys	Glen Ellen
Bodkins Plains	Cub Hill	Glen Haven
Bodkin Manor	Dayton	Glen Ridge

Glens Park	Martindale	Selby Grove
Gracelden Park	Marwood	Shawan
Granite	Mayfield	Shore Acres
Grays Creek	Meade Heights	Shoreland
Greendale Estates	Meadow Lane	Silver Sands
Greenspring Valley	Meadow Ridge	Skidmore
Granite Trailer Park	Merrymot	Skyline
Goodluck Heights	Middle Boro	South Broor
Gunpowder Estates	Milford Gardens	Southdown Shores
Harmony Hills	Milbrook	Southdale
Harundale	Millwood	Southgate
Hartford Hills	Mohican Hills	South Haven
Hernwood Heights	Mount Hebron	South River Heights
Hickory Point	Nottingham	Southway
Highfield Heights	Oak Knolls	Spaulding Heights
Highland Village	Oakland Hills	Strawberry Hill
Highview	Oaklee Village	Steuart Level
Hillcrest	Oakridge Manor	Stoney Brook
Hillandale	Old Eastfield	Stone Haven
Hilland Heights	Park East	Stoney Creek
Hilltop Heights	Parklawn	Strathmor Park
Hillwood Heights	Pelham Wood	Strawberry Hill
Holiday Hills	Pendennis Mount	Suburbia
Holland Hills	Penwood Trailer Park	Sunrise Beach
Holly Point	Perring Park	Sunset Beach
Huntsmere	Pickwick	Sun Valley
Indian Head Manor	Pineleigh	Tantalain
Johnsontown	Pine Orchards	Templeton Knolls
Jones Creek	Podickory Point	Ten Oaks Manor
Josenhans	Pohlman's Point	Three Mile Oak
Kay Park	Ponder Cove	Town & Country
Kaywood	Point Pleasant	Tulip Hill
Kenmore	Providence	Twin Harbors
Kent Forest	Quarterfield Manor	Ulmstead Estates
Kent Hills	Quiney Manor	Valley Brook
Kinhart Manor	Randall Ridge	Ventnor
Kingswood	Rayleigh Way	Waterford Heights
Knollwood	Ridge Gardens	Watergate
Lakeside Vista	Ridgeleigh	Waterloo
Lee Airport	Ridgely Park	Weems Creek
Leighton Green	Ridge Lake	North Wellham
Liberty Gardens	Ripping Ridge	Westown
Liberty Manor	Riverview	Westchester Estates
Lindameer	Robin Hills	Westfield
Linover	Roble Acres	Westhaven
Loch Glen	Rolling Ridge	Westland Gardens
Locust Manor	Rollins Park	Westlyn Gardens
Longfield	Romar Estates	Westview Park
Lynn Acres	Rosecroft Gardens	Weybrn Park
Maiden Choice	Rosedale Estates	Willow Glen
Madonna	Rosewood Trailer Court	Willowdale Farms
Long View on Magathy	Robin Hood Dell Mobile	Wild Rose Shore
Manor Club	Homes	Wilson Point
Manor Woods	Rosecroft Park	Windemere Forrest
Maple Village Trailer	Rugby Hall	Woody Hills
Court	Rullerton	Woodensburg
Marly Park	St. Dennis	North Woodridge
Maryland City	Savoy Plaza	Woodsyde
Mars Estates	Seneca Park	

Mr. NELSON. (3) There is absolutely no current consideration given to the very real fact that our population is a highly mobile one. The Government's own statistics show that 20 percent of our population is in movement each year. Coupled with this fact is our expanding population. Every single day thousands of new streets, new communities, and buildings are being created. These changes are the heart of our business and our only business.

Even to owners of present lists, these changes affect a hefty 20 percent of their list annually. Now the Government tells us, in one breath, that we must have a proper ZIP code or our names are not mailable, and therefore are worthless. In another breath they state that they either will not or cannot provide the proper information to enable us to meet regulations. In effect, they might as well tell us to close our doors.

(4) From time to time we receive notices that were sent to clients utilizing our lists, relative to the lack of apartment numbers on their addresses.

We recently received a letter dated April 8, 1966, from Plainfield, N.J., post office, stating that apartment numbers must be included in addresses if there is to be any assurance of delivery.

It is our sincere and strong opinion that if we provide the correct name, building address, town, and ZIP code, that it is not asking too much that the mail be delivered as paid for.

Once again, we must take into realistic consideration the very fact that families in apartment units seldom include their apartment number along with their mailing address.

An example is an apartment dwelling consisting of 250 families, of which 20 percent will move in a year for a total of 50 families and only approximately 4 per month. Their mail should be delivered without question.

To effect a more realistic reappraisal of this entire situation, we respectfully offer the following two suggestions as mandatory requirements for a successful realization of the ZIP coding system.

(1) The Post Office must create a complete and accurate "bible" of the United States for ZIP coding purposes. In the current directory there should be an addendum containing all localities, sections, developments, landmarks, alphabetized by State, et cetera, that families might and do use as a mailing address, with the correct post office and ZIP applicable.

The Post Office itself is the only single entity in a position to create such a true source book. It can be accomplished by requiring every local office to prepare and submit such a listing, covering its individual area, for compilation into a master directory.

(2) A monthly supplement containing all new streets, developments, and changes in compulsory multi-ZIP cities should be compiled and issued to all holders of this book. Anything less than a monthly frequency would not do the job.

Since the ZIP code represents a major change, affecting a multi-billion dollar system and industry, this is not too much to ask. A cost of thousands of dollars will insure savings in the millions. It is the only way list compilers and owners can cooperate successfully.

Thank you.

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

Mr. Maginnis.

Mr. MAGINNIS. Mr. Chairman, a unique situation in the ZIP code requirement is the case of Mr. Glenn Schneider, Schneider Addressing Service, Kankakee, Ill.

Mr. Schneider.

STATEMENT OF H. GLENN SCHNEIDER, SCHNEIDER ADDRESSING SERVICE, KANKAKEE, ILL.

Mr. SCHNEIDER. My name is H. Glenn Schneider. I am a partner in Schneider Addressing Service, Kankakee, Ill.

We are a service organization performing fulfillment services for such companies as General Foods, General Mills, Ocello & Armour Pharmaceutical, among others.

These companies make premium offers via cereal boxes, magazines, television, radio, newspapers, and via direct mail.

Our function is to receive the replies in whatever form, extract the cash, if any, and from the original request, prepare a mailing label or envelope and to address and mail the material after we have packaged it. This is a one-time use of the names.

We have been notified by our clients that the additional costs we would have to charge to put ZIP numbers on these addresses and then to sort and sack the mail by ZIP code sequence would drive them out of the premium business.

Our experience indicates that at present some 30 to 35 percent of these replies come in without ZIP numbers. Moreover, we are not certain of the accuracy of the numbers on those that do come in with ZIP code.

Paying at the minimum wage of \$1.25 per hour, our additional direct labor cost would come to \$40 per thousand to ZIP this portion of our mail. This additional cost—and we have not added the increased costs of sectional center sorting—is enough to cause our clients to discontinue premium offers, and means the end of our company, which has been in existence since 1948, and means the loss of jobs to 217 people we employ.

From April 1965 through March 1966, our company processed 1,204,106 requests for one of our clients. Since these represent first-class postage revenue to the Department, the discontinuance of our service would mean a loss of first-class revenue to the Department amounting to \$60,205 in profitable postal revenues. Answering these inquiries requires an expenditure of \$34,500 in third-class postage. We are thus talking about a loss to the Department of almost \$100,000 in revenue.

Between 25 and 30 percent of all first-class mail coming in to Kankakee, Ill., is addressed to General Foods, and 95 percent of the 7 million pieces of first-class mail involved is directly related to their premium offers. Gentlemen, we are talking about \$350,000 in profitable postal revenue which will disappear if premium offers are priced out of the direct mail business; and we are talking about the effect on one company alone.

The bulk rate postage bill incurred for replying to these requests is in the vicinity of an additional \$350,000 per year. And again, we are talking about the postage bill for one company.

It should be further noted that the value of premiums sent out by our bulk mailings exceeds \$2 million annually.

For instance, one book, "The Joy of Jello," has been selling for 50 cents each. Housewives are happy to receive it. This premium, along with all others handled by our company, will not be sold if we are forced out of business by the mandatory ZIP code order. The

committee can readily see what impact this will have on our premium suppliers.

Another important factor is the nature of our bulk mailings. As the subcommittee knows, bulk mail falls into several categories. There is a minimum piece rate of $2\frac{7}{8}$ cents for the lightest qualified mailing. However, our premiums have a weight factor. These are mailed in bulk at the 12-cent and 18-cent per pound rates. If we were required, for instance, to mail out a 6-ounce item at the single-piece rate, this would cost 4 cents for the first 2 ounces and 2 cents for each additional ounce, or a total cost of 12 cents. This same item mailed under either the 12-cent or 18-cent per pound bulk rates would cost 4 cents and 6 cents respectively.

Inasmuch as this hearing is being held to explore hardship cases, I hope the Department can quickly advise me whether my company can qualify for an exemption.

We wonder if the savings accruing to the Post Office Department by the mandatory ZIP requirement will equal the total loss in revenue to the Department as a result of curtailment of mailings.

A survey of comparative costs for General Foods of bulk or pound rate versus piece rate indicates an increase in postage costs for this company of \$270,973, making these piece rates economically unfeasible. Since the increased costs for adding ZIP numbers and pre-sorting and sacking by ZIP code sequence is equally economically unfeasible and, unless some relief is granted, General Foods and Schneider Addressing Service are both out of the premium-by-mail business.

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

Mr. Maginnis.

Mr. MAGINNIS. We will now hear from Mr. Stanley Woodruff of the Ed Burnett, Inc., New York, N.Y.

STATEMENT OF STANLEY WOODRUFF, VICE PRESIDENT, ED BURNETT, INC., NEW YORK; AND VICE PRESIDENT-TREASURER, COMPUTER LIST MARKETING, INC., NEW YORK

Mr. WOODRUFF. Mr. Chairman and members of the subcommittee, thank you for this opportunity to discuss the hardships imposed upon our firms and customers through the introduction of the current mandatory ZIP code regulations, and its enforcement date of January 1, 1967.

We are primarily business list compilers for industry as well as list managers of several million names belong to our customers.

As leading business list compilers we produce, for sale, over 5,000 different lists totaling some 14 million names. Our compilations are drawn from published directories, association rosters, telephone directories, credit reporting services, registration lists, trade and local registers, et cetera. Our lists are maintained on magnetic tape, on stencils, on labels or ozalid, on file cards, or simply left in directory form and replaced annually.

On May 21, 1965, before this subcommittee, members of our association produced responsible, conclusive testimony as to the almost impossible tasks of the then new sacking regulations, and at the same time refuted the Post Office dollar figures for conversions of existing lists to comply with the ZIP code regulations as they are written.

I will not, at this time, delve into these figures again, except to assure this subcommittee that now, a year after this testimony, with millions of names for experience, our figures are as factual today—if not somewhat modest—as they were then.

During this intervening year, two national ZIP Code Directories have appeared and then the current hardship exemption.

In testimony today I should first like to discuss the tools with which the Post Office has asked us to work in applying ZIP codes to our files, our experiences, and our application of them to the hardship exemption.

The sacking regulations have been discussed and their inherent problems with the continual assumption that the numbers will be on the mail or address labels. My purpose here today is to reintroduce the problems of a volume compiling operation and its problems in applying the numbers—a topic which we feel has been somewhat skimmed over in recent considerations of the overall problem.

For computer-based lists, our experience is contrary to the popular notion that if a list is on computer it can be easily ZIP coded.

The Post Office tape contains some 34,000 ZIP-coded areas. The first tape we used presented problems in that the input discipline was not controlled and, therefore, we found it impossible to match to our own tape. That is, their blocking factors varied, density varied, spelling and abbreviation varied. Moreover, errors presented themselves in actual ZIP codes. The new tape from the Post Office that we are now using is somewhat improved, although errors of cities and ZIP codes still appear.

As most major compilers have done, we have gone to the expense of building our own ZIP tape that goes far in advance of the Post Office tape. Cost thus far to our firm is \$15,000. On Friday I received at my office a new atlas, released by Rand McNally, of some 89,000 cities with their appropriate ZIP code—34,000 post offices, and 55,000 places that do not have post offices, but need ZIP codes.

We are saying that it is impossible for a clerk to remember each of the 55,000 cities that fall under another mailing city without looking them up. Neither the Post Office tape nor the ZIP code book provides this information. We wonder why a commercial company like Rand McNally is able to find a ZIP code for all populated locations, and the source itself, the Post Office, cannot issue this information in a usable fashion.

We have, moreover, built-in errors in our ZIP tape because of the errors of commission and omission that exist in the Post Office information. Clearing these errors will be costly and will not solve the fact that there are more changes, as we understand it, even after publication of the directory.

One more myth to air: As of now, no one has been successful in ZIP coding their tape by using tape to a 100 percent degree. Most of us have built ZIP tapes of cities only. We compare electronically to our list files and add ZIP codes to single-ZIP cities, plus three-digit codes to multiple-ZIP cities, then manually look up the multicoded cities and go back to the tape files, via keypunching, to introduce the last two digits on those records.

Even with this limited ability we have never gotten close to 100 percent on our first pass. The best we could do was about 80 percent on single-ZIP cities, because our tape lacked the knowledge of ZIP numbers for those populated places that were not post offices.

We're improving our percentage as the days go on, but at a very high cost that will possibly reach \$50,000 before we are finished. This does now include the cost of actually ZIP coding the 3 million names we now have on computer—only the cost of becoming semicompetent in the preparation of a ZIP tape.

Some firms are now going beyond this and are applying city streets in multiple-ZIP areas to their files. Research estimates that I have gotten for these projects run to the one-quarter-million-dollar class and over. To my knowledge, because of the problems in input control, none are working completely successfully. Services are being offered to ZIP on tape, but the costs run two or three times the Post Office estimate of last May, of \$5,925, and are still not 100 percent successful. Some manual coding and reentry are still involved.

Typical inconsistencies in the Post Office book and tape are misspellings or uncontrolled spellings such as:

Saint—sometimes abbreviated as "St." and sometimes spelled out as "Saint."

South—occasionally spelled "South," "So." or "S." Streets are filed under the street name even though preceded by south, or under south—with no apparent pattern.

Numbered streets seldom appear the same way, or in the same place in cities. Sometimes, street numbers are spelled out and filed, and sometimes by numbers.

We could go on and on, gentlemen. One of the primary rules of the computer age is discipline—in input, in programing, and in instructions. We do not find it possible to maintain discipline with the tools the Post Office has given us from which to work.

We have presumed above that the dollars have been spent to create names and addresses on tape. Before a compiler makes this decision, he investigates his market and assumes there are enough list rentals to justify this form of reproduction. Only 20 to 25 percent of our lists are currently on magnetic tape. This percentage is destined to grow to some 30 percent by the end of 1967, but costs will never allow a much greater growth for us in this direction.

What of the other 70 percent, or some 9½ million names we maintain on other forms of addressing?

Only 20 percent of the directories currently being used are fully ZIP coded. From a questionnaire we sent to directory publishers, we have learned that an additional 20 percent will be ZIP coded in their next editions before or during 1967. Additionally, 25 percent are partially ZIP coded, or will be by 1967. The publishers tell us, however, that they will include ZIP codes only when this information is given by the addressees, 25 percent did not respond, and 10 percent said they have no current plans to ZIP at all.

In any event, existing lists require a completely manual ZIP coding operation without the benefit of computer shortcuts. We project that to do the entire job would run our firm in the high-income neighborhood of \$100,000.

The telephone books would probably never be ZIP coded, and that presents a complete problem unto itself.

I would enjoy your company in answering my employee's questions as they try to manually ZIP many of our lists, and our customer's lists.

We have 25 girls currently trained in ZIP coding, of our 150 employees, and the questions we hear over and over go like this:

What do I do when this street is not listed?

What do I do when this town is not listed?

What about building addresses, what ZIP do I use?

When it says corner of Spruce and Elm, what ZIP do I use?

I'm ZIP coding Boston. If I don't know the town, how do I find the ZIP?

Gentlemen, as a supposed expert, I feel fairly ignorant when my employees come to me with these and hundreds of other questions. All your time-and-motion studies about costs to ZIP overlook the myriad problems the system has built into itself.

Filing by ZIP code is a problem unto itself that would require more time than is really justified. Let me state simply that it has its inherent problems.

We also act as list managers for many corporations, publishers, mail-order houses, et cetera, as merchandisers in the rental of their lists to others of the direct mail fraternity. We represent such firms as the Dictaphone Corp., Gahners Publishing Co., A. B. Dick Corp., et cetera. Many of these, except for the publishers whose needs for second-class mail must be met, will not be available ZIP coded in 1967.

As an example, I quote from a letter from Mr. Vernon Anderson, sales promotion manager, copying products, of the A. B. Dick Co., in response to our query asking whether or not he intends to spend the money to ZIP his inquirers list that we have been offering for rental.

Our decision is to stop the program entirely, as far as the addition of new names is concerned, and coast on what we have.

As we interpret the hardship ruling, it might apply to our individual situation. We could certainly claim the need for time to complete this tremendously expensive program, but what of our customers? Can they use our hardship ruling to apply to them? We have over 2,000 mailers as customers. Would we have to get 2,000 rulings? We feel that the impact on our business will cause a real and current hardship, hence a reduction in profits, and less money to spend on ZIP code program—and so a vicious cycle is formed.

We must have time, gentlemen, to continue a growth program; time to even continue existing as a business entity, before we are forced to comply with the mandatory ZIP ruling.

Mr. OLSEN. Thank you.

Mr. MAGINNIS. Mr. Chairman, we are fortunate that the arrival of Mr. Richard Landsman of the Greystone Press did occur. He is with us here, and I ask him now to take the microphone.

**STATEMENT OF RICHARD LANDSMAN, GREYSTONE PRESS,
NEW YORK, N.Y.**

Mr. LANDSMAN. I want to thank the committee for extending an invitation to me on behalf of the Greystone Corp. to be heard concerning problems created for us by the ZIP code regulations now scheduled to go into effect on January 1, 1967. We have been most impressed by this subcommittee's efforts to thoroughly investigate the entire situation and the help they are giving the mail-order industry in accommodating its practices to new Post Office regulations.

The Greystone Corp. publishes 7 multivolume reference sets of books, ranging from 16 to 41 volumes each. In addition, we publish

numerous single-volume reference books, all sold almost entirely by mail.

Last year, we mailed over 20 million pieces of third-class bulk rate advertising matter for these volumes, and worked with other mail-order companies selling our books, who used several million additional pieces. We have been in business now almost 25 years, selling our present sets as well as other works, and mailing comparable quantities of third-class matter each year.

Almost all of our mail-order sales are made through use of rented mailing lists which we obtain through the usual brokerage sources. At any particular mailing season, we may be promoting three, four, five, or more of our reference sets, each mailing fragmented into many mailing list segments. For instance, our next campaign scheduled for July covers 4 such sets, working with 4 separate lettershops, in a quantity of over 5 million pieces.

We have spent a good deal of time with our lettershops—all of whom are run by very knowledgeable men in business for many years—discussing the new sorting and merging regulations which are scheduled to come into effect January 1, 1967. In all cases, we have been unable to come up with any concrete costs involved for these new procedures. In fact, we have been unable to ascertain exactly how mail will be processed.

Our practice heretofore has been to drop large quantities of mail, previously inserted, sorted, and bagged over weeks of work, in the space of a few days at the most productive times of the year. For our business, the first 2 weeks of January are the most profitable.

In order to deposit millions of pieces in these few days, we start the inserting and sorting operations in November. Sorted and bagged mail is then stored for us by the lettershops until the scheduled mail date. It is imperative that we mail during this period, for results can drop off up to 25 percent if we mail in February or March.

Our lettershops inform us that the new regulations will make it impossible to continue sorting and merging mail over any extended period of time. The number of bags required for a five-digit ZIP code breakdown, the immense amount of direct labor involved, and the storage space necessary, all would be astronomical. The only economical lists we could mail would be those in absolute ZIP code sequence, and only one list per day since the costs of merging even two ZIP-coded lists are estimated to be higher than the difference between the third-class bulk rate and the third-class individual piece rate. Since most of the lists we work with are of less than 50,000 names each, this would involve mailing over 4 business weeks to get out only 1 million names. This would seriously cripple our business.

The only solution offered us by the lettershops if the new regulations go into effect is to mail at the individual piece third-class rate. This means an increase of \$11.25 per thousand in our postage costs and will not help the Post Office in its efforts to move mail more economically, since the mail will not even be bagged for sectional centers.

Furthermore, we understand that it will be at the Postmaster's discretion to require a city-State sort of pieces mailed at the single-piece rate. In other words, we would be required not only to pay the additional postage but also to prepare mail according to present regulations.

These drastic increases in the cost of doing business will force us to cut down on lists mailed, since many which are profitable to us now under the present rules will be losing propositions if the new regulations go into effect. Even if we continued mailing lists presently profitable to us, the \$11.25 surcharge would amount to over \$200,000 a year in increased postal charges to Greystone.

Under these circumstances we would have to attempt to increase the selling prices of our books to the public, which we do not care to do.

As soon as the Post Office signified their intention to force a mandatory date of January 1, 1967, for all third-class pieces to have a five-digit ZIP code number, Greystone started to code all our new customer names. We have been doing this now for over 1 year and have processed over 200,000 such names. We have been working efficiently and profitably for many years now using a Speedamat addressing system for our customer file. However, we know that many of the ZIP codes we have for our customer names are incorrect, since there have been so many changes made in coding by the Post Office. Up until last week we were working with the obsolete June 1965 directory because we were unable to obtain the new book. Even now, we have only one copy of the new edition which will be grossly inadequate when our next heavy order intake period starts early in July.

In addition to the two problems so far outlined, we have very serious difficulties concerning our own house list of over 750,000 names which is largely un-ZIP coded. This is our own customer file composed of people who have purchased books from us in the past several years. These names, on Speedamat plates, are very productive for us, both on our own promotions and as a source of revenue through list rentals to others. We have obtained estimates from several sources of adding the correct ZIP code to these stencils, all running in the neighborhood of \$50 per thousand, or about \$37,500 for all. It is almost certain that a further investment of this size will be uneconomical for names several years old, with the result that they will reluctantly be withdrawn from the market.

Almost 25 percent of our rentals, and a somewhat higher percentage of our own mailings have been made to names in this latter category. Last year, for instance, we rented a total of about 500,000 of these older names. If they are taken off the market, we will have to forgo this income in the future. Also, the fairly considerable business generated by our own mailings to these names would also be lost.

I know that Greystone's problems which I have presented to you briefly are not unique. Many other companies in the mail-order field must be faced with similar troubles. Any similar cutting back on their part will only serve to dry up the mail-order business to a great extent, with the resultant loss of jobs and a deleterious effect on the national income.

We understand the Post Office's problems and are more than willing to cooperate, for a more efficient and cost-saving postal system can only result in benefits to us. What we are asking for are simpler sorting and mailing regulations, so that we can still mail at the third-class bulk rate. Perhaps only a three-digit, sectional center sort would be practical. Of course, we must have sufficient supplies of a ZIP code directory, with "frozen" codes so we will be using the proper

information. We would like additional time so that the names we have which are several years old can be used for the rest of their productive life, and not pulled off the market.

I am sure that this committee will be able to assess all of the information presented to it by firms in the mail-order industry and come up with solutions satisfactory and equitable to the Post Office, the industry, and the public. Thank you again for giving me this time to present my firm's problems.

Mr. KREBS. Thank you very much, sir. The chairman will start the question period.

Mr. OLSEN. Thank you again, Mr. Maginnis, and thanks to your witnesses for pointing up the problems of this great change in the Post Office Department.

My big question, the one that bothers me the most, is the fact that everyone in this business has to do a lot of advance planning. I am impressed with the testimony of each witness that their planning has to be many months ahead of their mailing. I wish that we could have some rundown of that problem. I address this to any of your experts or yourself, Mr. Maginnis.

That is, if we are going to have ZIP code on January 1, 1967, let's point up the problems of advance planning that should have some hardship recognition. This should be done now rather than next November.

Mr. MAGINNIS. I think I would like to address myself to that problem, Mr. Chairman. It is interesting that this committee some years ago caused a study to be made by the Commerce Department on the impact of bulk mail on the American free enterprise system. Up to that time the Government had no data regarding this sprawling industry consisting of 275,000 permitholders, essentially small businessmen. We were just as surprised as Government officials to learn that we had become a \$30 billion industry since the inception of bulk, third-class mail in 1929.

The administration itself was very pleased with this knowledge that they were dealing with quite a large slice of the gross national product. We began then to get a little more attention.

We should realize that the witnesses today are few in number but they epitomize the problems of all bulk third-class mailers.

The direct mail advertising medium has become the second largest advertising medium in the world as a result of the bulk rate created by Congress 40 years ago. We are larger in dollars spent on direct mail advertising than radio, television, billboards, or any other type of advertising you can think of, except newspaper advertising.

There are techniques in direct mail with which you are familiar even in the political field—that the time to mail is right before a primary. The way to do it is to get a correct list of names. If you are appealing to Democrats, you need Democrats' names. If you are appealing to Republicans, you need Republicans' names.

Mr. OLSEN. If you are a good Democrat, you need Republican names. [Laughter.]

Mr. MAGINNIS. That is right, sir. But, in any event, all mailings must be planned well in advance.

We have the testimony of Greystone Press here. I am sure they are thinking right now of putting together a somewhat large mailing for deposit, let's say, in January or February of next year. They are

involved in four or five colored reproductions, getting the creative artists to put the mailing together.

Mr. OLSEN. We saw a mailing in New York at Mailmen, Inc., where they were putting 34 different combinations of inserts into 1 envelope. That had to be planned long ago. And that is what I have reference to. I am searching for a solution to this problem.

Mr. MAGINNIS. That is the point you are making and I am trying to reemphasize, Mr. Chairman—that in June of this year a mailer must decide whether he is going to drop 1 million, or 2 or 3 million, pieces of mail in January, at the time ZIP code ostensibly is to become effective. He must determine his costs at this time. If costs are prohibitive, he simply will not do the mailing.

Mr. Schneider, who testified about his premium business, is a unique business. He must decide now, with his customers—General Mills and others—whether he can pay the single-piece rate after January. If he cannot pay it, he goes out of business. He wants to know in June whether he can have an exemption and continue in business and mail by city and State as he now does. He cannot wait until November or December to file his application and get an answer.

This is true, generally, of all large mailers in the direct mail field. Of course, there is no provision, as you know, in the somewhat hazy hardship-exemption regulations which permits the entry of an application at this moment for a hardship exemption. They say, "Wait until November. We may have solved this problem."

Mr. OLSEN. That will be too late, will it not?

Mr. MAGINNIS. That will be too late.

Mr. OLSEN. Now, I would like to suggest that we have a roundtable discussion between the third-class mailers and the Post Office Department. I do not know if it would be better to do it today or later. But I think we ought to try to meet and make some headway this afternoon. That is my proposal.

With that, I will relinquish my time, and we will discuss it again later this morning.

I recognize the distinguished gentleman from New Jersey, Mr. Daniels.

Mr. DANIELS. I have no questions at this time.

Mr. OLSEN. The gentleman from New Jersey, Mr. Krebs.

Mr. KREBS. I first of all want to say, Mr. Maginnis, that I will address my questions to you or any of your compatriots who want to answer them. We are concerned here with getting the answers more than anything else.

Mr. Keating made some points that I would like to have developed a little bit more. He talked in one respect of an increase of 8,000 hours in one operation and 26,000 hours in another operation, and I think you ought to expand on this and carry it a little bit further.

Is it true that in the case of the 8,000-hour added cost that this is equal to a little bit short of 4 years? If the average workweek is 40 hours, you have got 52 workweeks in the year and you have got 2,080 hours. So you are talking in terms of increasing your required work for one person by 4 years to do operation A. In the case of the other one, you are talking of increasing 26,000 man-hours. Again, you are talking in terms of about 13 years of increased labor required to satisfy the needs of the ZIP coding.

I want to say, too, that with respect to the directories, are they up to date? There was some testimony, but I want to get a direct

answer to this. If I wanted to change my lists, assuming I were a businessman doing the work that you do, and I wanted to bring the lists up to satisfy the requirements of the ZIP coding program, could I get from the directory all the information I need?

Mr. MAGINNIS. I will let Mr. Keating answer the question about the hours. I would like to address myself to the essential tool which is needed to do the job, and that is the ZIP Code Directory.

The ZIP Code Directory is not available to those desiring to purchase it in any quantity. A large mailing house may need as many as 30 or 40 such directories to pass among the girls who are updating the lists.

Now, even if you acquire a sufficient quantity of this directory, you will find that it is out of date to a large degree. It is said that upon its publication, when it closed in November, it was 10 percent inaccurate. In the intervening months we have had our own people survey the list, and they have come up with several hundred inaccuracies in the directory, to which the Department admits.

We also brought out in testimony—and Mr. Nicholson admitted yesterday—that individual postmasters in the multicoded cities have been internally changing addresses within the system. The Department was shocked when it learned of this. We brought the internal changes to their attention. Upon being notified of these truly illegal changes by postmasters, the Department then issued a bulletin to postmasters saying, "Don't make any more changes." But changes have been made, and nobody knows how many tens of thousands of addresses have been affected.

Mr. KREBS. Could I stop you there?

Mr. MAGINNIS. Yes, sir.

Mr. KREBS. Somebody pointed out to me yesterday an article that appeared in the Postal Bulletin the latter part of April, where it was admitted that postmasters—and there is nothing diabolical or evil about this, but it makes it just impossible to ever have an authoritative procedure for changing this thing—that postmasters were actually, without getting authority from Washington, from their superiors, or from anybody responsible for keeping this thing up to date, going ahead on their own and changing ZIP code numbers.

Do you have many experiences in that area?

Mr. MAGINNIS. Many, many such experiences. I might say I heard of the changes 2 months ago, and I asked Senator Brewster to write to the Postmaster General to ask how many had been made.

Mr. McMillan gave an unequivocal reply that no such changes had been made.

Mr. Henry Hoke, who will testify later, toured the country, and he was the one who went into individual post offices and got copies of these mimeographed changes in the numbers, and it was he who called these changes to the attention of the Department, and they on April 28 did issue an instruction, "Don't make any more changes."

Mr. KREBS. What has been your experience in your ability to get adequate copies of the directory, even though they have been changed twice, and there is a third one coming out, and you contend they are not up to date and reliable? Have they been available in adequate numbers to do a job, or are you going to be compelled to go out and pay \$95 for something like Rand McNally puts out? I want to ask you about that, too. Does the Rand McNally book have more

information than the official directory has? Or is it more reliable? Or why is it necessary, or why is it possible for Rand McNally to sell a book for \$95, if the information is available, as it should be to do the job you have to do, from the Post Office in the form of this directory?

Mr. MAGINNIS. Mr. Nelson addressed himself to that subject, and the answer is this: That while there are 34,000 post offices in the United States, there are 120,000 localities such as he pointed out in his long list in Maryland like Tulip Hill, Mohican Hills, Oxon Hill, Garrett Park, all of which are satellites of some post office such as Washington, D.C.

The Rand McNally people have, at great expense, collected the names of these localities, put them in a book, and said, "If you want up-to-date information, send us \$95 and we will give it to you."

Now, it is our contention that the ZIP Code Directory—and this is Mr. Nelson's contention—should be—

Mr. KREBS. But as of now it is not available?

Mr. MAGINNIS. It is not in there, and there is no intention of getting it in there to my knowledge.

Mr. KREBS. I have a lot of questions. I do not mean to cut you off, but my time is limited. I have several basic questions I would like to get some insight on if you can help me.

Everybody testifies about one aspect of the increased cost. You have got two basic problems here. One is getting and applying the ZIP code numbers, which is a substantial cost and a continuing cost if these things keep changing. The second cost is the added cost of sorting to a number of sectional centers as compared to the 50 States that you are now sorting to. I think somehow it would be advantageous to your point of view and your position if you could tell me, and the rest of this committee, what the increase will be, expressed in percentages.

In other words, is it possible for you to figure out the increased cost for rent, for manpower, for the mechanics of getting the ZIP code numbers and applying them to the magnetic tape or to the stencils, or to whatever your system is, and come up with an answer, and say that this would increase your costs of operating 50 percent, consequently reduce your profit, or drive people out of the market?

Nowhere have I been able to find comprehensive and up-to-date figures on what this would mean in terms of increasing the costs of operating your business.

Mr. MAGINNIS. During the hearings last year, Mr. Krebs, we introduced the best evidence we could gather at the time that the cost of simply looking up and applying the numbers to existing plates would cost \$250 million.

Mr. KREBS. This is not what I mean. I remember those figures.

Mr. MAGINNIS. Yes, sir.

Mr. KREBS. Say I am a small operator. I went through a company with the chairman and other committee members Friday, and I was impressed by seeing what the actual requirements would be. These were measurable, like the need for additional square footage, the need for additional racks, the need for additional labor, and all these other things.

But nowhere have I heard, "This program will mean increasing the cost to this company or that company or the companies in general by 30 percent, by 40 percent, by 10 percent, by 80 percent," whatever it might be.

It seems to me this is the kind of information that would be most dramatically usable in portraying the costs and the hardship this would work, particularly on those least able to make these additional investments.

Mr. MAGINNIS. We have no substantial data on this score. I made the suggestion in my own testimony that the subcommittee itself should get, from the Post Office Department, the list of permit-holders. They are all available. Each postmaster knows who has a permit. They should survey these 275,000 firms and ask what the cost would be.

We are an association of 800 members, which is a small segment of the entire industry, and our figures given to you are simply guesses. We do know that the essential purpose of ZIP code is to transfer the sorting costs of mail to the mailer and to cut down on the clerk hire within the Post Office Department. I think Mr. Pat Nilan is going to be heard on this score.

If we presort the mail down into the zones within the multicoded cities and elsewhere, there will be no need for the postal clerk to do that job. Somewhere along the line postal clerks are going to lose their jobs and the work will be transferred to us.

Now, you have been to Mailmen, Inc. You have seen the facilities there, and they cannot estimate, at this time, the needed extra floor space to accommodate the bags which will be required.

Mr. Hoke, who will be heard later—I have had the privilege of seeing his testimony—does get into this in greater detail. I think he will supply you with some of the answers.

Mr. KREBS. Despite the fact there are many more questions, the limitations of time, Mr. Chairman, require my stopping here. I want to thank you very much.

Mr. OLSEN. Thank you, Mr. Krebs.

The gentleman from New York, Mr. Hanley.

Mr. HANLEY. Thank you very much, Mr. Chairman.

I am most impressed with the testimony offered this morning, and I believe that all of us can readily analyze the problem that we have here.

I think that Mr. Nelson very emphatically pointed out the necessity of a "bible," as you refer to it. Certainly, if you people are going to implement the legislation, you have got to be provided with the proper tools.

I commend you on your splendid appraisal of the absolute necessity for this type of directory.

I have but one basic question in recognition of the hardship that could result through the mandatory date. That is, in your judgment—and I will direct this to Mr. Maginnis—what would be a realistic date for the implementation of the program?

Mr. MAGINNIS. Our judgment is that lists go out of date 20 percent a year, as many have testified. Even the Department says this.

We would recommend that the ZIP code order be put on a "recommended" basis, that everybody get behind this, publicize it among postal patrons, get people to use their numbers, have an advertising program within the Department and among ourselves to begin applying the numbers to the mail, and that over a 3- or 4-year period everybody, working diligently, would get the numbers on their plates and be ready, possibly, in 1970 to say, "Now we are ready for mandatory compliance."

At that time we may also have the tools of which you speak, a "bible" which will enable us to get the numbers on properly.

I think the subcommittee did report out, by a vote of 5 to 4, such a bill which still pends, but has not gone to the full committee. That would be our recommendation.

Mr. HANLEY. Are we talking about a date approximately 3 years later than the suggested one? I think you are being a realist, and I personally bear much in the way of aggravation over this thing inasmuch as the Federal family is probably the worst offender and seems to be somewhat unable to comply.

I have concluded my questions. Thank you.

Mr. OLSEN. Thank you very much, Mr. Hanley. I think that your statement is well taken.

There is some hardship, and we do not want businesses hurt. Indeed, we want to promote business. That is the object of the Post Office Department—to transmit the business of the country, whether it be the private letter, business letter, or whatever it may be. We are promoting the commerce of the country. We want to do it effectively, and we do not want to impair any of this function.

Now, I do have a couple of questions here. Referring to Mr. Nelson's statement, I want to ask about the omitting of New Market, N.J. Would you give an explanation, Mr. Nelson, on the necessity for including it? Why should it be included?

Mr. NELSON. Well, first of all, it is a first-class post office, and it is a city where many citizens live. And if—

Mr. OLSEN. That is good enough. It is a first-class post office. That is very well taken. It is not in the book?

Mr. NELSON. Right.

Mr. OLSEN. All right. That is all I wanted to know.

You know, on so many of these things, if you take a guy absolutely cold, he could not understand why you were objecting.

I hope my colleagues heard that—that the witness responded that his objection about the omission of New Market, N.J., is that it is a first-class post office and it is not listed.

Mr. DANIELS. Being from New Jersey, I do not know where it is.

Mr. NELSON. New Brunswick, N.J.

Mr. DANIELS. The 14th Congressional District.

Mr. OLSEN. I might say that when we were up in New York the other day was the first time I ever understood that Bethesda, Md., which is larger than any two cities in Montana, is not listed except that you look to an index and they refer you to Washington, D.C. And I think that that is an improper situation.

All right. Another example is Lake Iosco. You cannot find that in the directory. How so? Is it not listed in the index?

Mr. NELSON. No, it is not.

Mr. OLSEN. Does it not refer you to Haskell?

Mr. NELSON. No, there is no reference to Haskell whatsoever there.

Mr. OLSEN. But it is part of the Haskell post office?

Mr. NELSON. That is right.

Mr. OLSEN. How big a community is Lake Iosco?

Mr. NELSON. I really do not know. I do not know the population.

Mr. OLSEN. Maybe you could supply it.

Mr. NELSON. Well, I do not have a record with me to give you the population.

Mr. OLSEN. I am saying you can get it tomorrow.

Mr. NELSON. Yes; I can submit it to you.

Mr. OLSEN. Now, I really do not agree that all of your list ought to be listed by the post office just because Rand McNally knows about them. For instance, I live in Spring Valley, Washington, D.C., and I do not think it ought to be referred to, because we are segregated as being in a certain area and on 50th Street and in a certain block and it puts us in ZIP code No. 20016. I do not think these people could complain either. I think they would ultimately come to listing their address as in whatever post office they are in.

I sympathize with you that maybe they do not do this yet. How prevalent is it? How many people would say they live in Point Pleasant without saying it was Washington, D.C.?

Mr. NELSON. Well, if we research a name of somebody moving, we cannot use this name. We have no way of assigning a ZIP code to that person who calls himself Point Pleasant in the Maryland area. Because we cannot find it in any directory whatsoever.

Mr. OLSEN. Then the solution has to be some agreement between you and the Post Office Department that you simply send that to Maryland. I mean there has got to be some guideline. Is that not what you are getting at?

Mr. NELSON. You have to have a definite guide as to every section, locality, or area.

Mr. OLSEN. On anything without a ZIP code number, anything unlisted, then you ought to be permitted to send that in a State sack?

Mr. NELSON. Well, I am not a mailer. I am a compiler. This would be their problem.

Mr. OLSEN. Is there a mailer here? Mr. Schneider?

Mr. SCHNEIDER. Yes. I mean if there was not a location on that, that we be allowed to throw it in a State sack, and then the State people should know where to look.

Mr. OLSEN. The reason I am asking this, what I am building up to, is that I want you folks to bring this up with the Post Office. I have been sending Mr. Irvine out of the room several times to try to get some understanding as to when we could have you people meet on these questions. Because, whatever the date is going to be for compulsory ZIP code, we want it to be workable. Whatever the date is.

If ZIP code is delayed—and I wish it could be—until 1970, these questions would still remain, would they not?

Mr. SCHNEIDER. Yes.

Mr. WOODRUFF. Yes, sir.

Mr. MAGINNIS. Mr. Chairman, may I make a comment here?

Mr. OLSEN. Yes.

Mr. MAGINNIS. About this list of Maryland communities, the genius of the system is that the greatest employees of all are the postal clerks. If a letter arrives at one of these places, one of Mr. Halbeck's boys or Pat Nilan's boys will know how to scheme the mail. That is what they are paid for. They should get a higher salary, I might say. They know from a lifetime of experience in Maryland where these localities are.

So the purpose of ZIP code is to transfer this job to the mailer, who does not have the scheming ability of the postal clerk. That is essentially what ZIP code is about.

Mr. OLSEN. I think you would find agreement with everyone here. I am going to speak out of turn for my colleague, Mr. Daniels, that

he and I are in agreement, and I think you are, that we have to go to ZIP code, and he and I are only in disagreement about the date.

But this proposition of hardship instances is one where I think we are in complete agreement that we must work something out, whatever the effective date.

Mr. DANIELS. Well, I appreciate the fact that this panel is bringing these matters of disagreement to our attention so that we can look into them and see what can be done to be cooperative and helpful.

Of course, you eternally are going to be faced with the problem of changing names. You said there is a 20-percent change in addresses of each list. You have that annually.

Mr. MAGINNIS. That is right.

Mr. DANIELS. That problem is going to be eternally with you, so there is nothing the Post Office Department or you can do about that, except you have to put clerks to work. But you do want the material at hand by which, if you do get a new address, you will be able to ZIP code it.

Mr. MAGINNIS. Right, sir.

Mr. OLSEN. But there is one other thing, Mr. Daniels. We had an example in New York of three communities, each with a first-class post office. Because of the growth of population the Department is creating a fourth post office. The fourth one is going to take areas from the other three instead of being created from a new area. We discussed this yesterday. We think this has to be kept at a minimum, because this is a very big problem, transferring people from three ZIP coded areas into a fourth one. That is a real tough problem. I know I can ask for your agreement on that—that these things, these changes, have to be kept at a minimum.

Now, I have to get along because I have got one more witness, and I do want to hear from Mr. Hoke. But before I let Mr. Maginnis, and your group, go, I want to advise you that I have an agreement from the Post Office Department that we should work all the rest of this day on a meeting for next week, not for today but for next week, or within 10 days, at a time mutually convenient to them and to you and your people, and a representative of this committee, to meet at the Post Office Department, where they have most of the material. They would not have to be packing it out here.

People from this committee would meet with your group and with policymaking people of the Post Office Department on the questions that were raised yesterday and today.

I am advised that they can see that the question of hardship is much bigger than they anticipated. And the hearings have pointed up many more problems. They want to talk them out and try to find some solutions.

So, if it is agreeable with our committee here, we will have Mr. Irvine arrange this meeting.

Mr. MAGINNIS. That is a most salutary development.

Mr. OLSEN. Mr. Larry Mann will also attend, and your committee will be well represented. They will report back to the committee on some progress.

We are going to keep at this until we get some real progress. I think the Department is sincere, just as you are.

Mr. MAGINNIS. Thank you.

Mr. OLSEN. Thank you very much.

Now, we have limited time for a very splendid witness, Mr. Henry Hoke, Jr. Your statement will appear in the record at this point and you may proceed to comment on it.

(The statement follows:)

PREPARED STATEMENT OF HENRY HOKE, JR., PUBLISHER, THE REPORTER OF DIRECT MAIL ADVERTISING, GARDEN CITY, N.Y.

My name is Henry Hoke, Jr. I am publisher of the Reporter of Direct Mail Advertising, Garden City, N.Y., an international publication with a monthly circulation of over 12,000. Our role in the ZIP code drama is unique.

As an observer of its progress since its inception, we have probably written more about the subject than any other publication. Since November 28, 1962, hardly a month has gone by that our readers haven't had something about the problems and progress within the Post Office Department and with major users of the mails. These writings have appeared in both our monthly magazine and in our weekly newsletter, "Friday Report." During 1965 our circulation efforts with a newsletter informed prospective subscribers of the coming of ZIP code in mailings totaling 200,000.

We have supported the ZIP code idea from the beginning. As our December 1962 issue moved into the bindery, we stopped production and rushed a special two-page insert for inclusion in that issue—about the surprise announcement on November 28, 1962, by Postmaster General J. Edward Day. Our "Friday Report" of November 30 carried a similar, enthusiastic reception of the revolutionary numbering system. Later on, we carried special reports in the magazine from both J. Edward Day and Postmaster General John A. Gronouski, each time with their pictures on the cover. So we have been a major educational outlet for the ZIP code system, but to relatively few people, when we realize that there are nearly 300,000 second- and third-class permit holders.

It is interesting to note, in reviewing early announcements, that ZIP code was to be purely voluntary and for large users of first class with computerized lists. However, 2 years later, the voluntary concept of the Department gave way to mandatory compliance, and in February 1965, the details burst upon the scene—mandatory for second- and third-class users, but not for first class, nor parcel post.

The position of our magazine is unique in another way. We are users of all classes of mail—first, second, third, and fourth. We have had experience as a publisher mailing his product at second class. We have had experience as a direct mail user in promoting our product through first- and third-class mail. We have lived through the problems of adding numbers on our 60,000 list, of sacking and sorting the publication to five digits, but we have yet to experience costs and problems of mailing bulk third-class mail to our prospect list.

So we have some understanding of the frustrations mailers are having as they approach the January 1, 1967, mandatory date. We have the utmost sympathy for those just getting started, those who for one reason or another haven't been in on the program since its inception. It takes time to understand, to study the impact of the revolutionary filing by ZIP code rather than a dozen other age-old methods of maintaining customer and prospect names; then time to train staff and get the job done.

Even though we've been in on the ZIP program from the beginning, we are still not completed. Our second-class subscriber list is ZIP coded and in numerical sequence. So is a list of expiries; about 12,000. Our promotion list of 40,000 is half done. We slowed the project until we could get the new ZIP Directory, until we completed revising our completed lists based on the Department's delisting of 643 multi-ZIP coded cities, a change announced 4 months ago. It's been a costly, frustrating experience for our small staff, and a severe penalty for having started early.

We have just started mailing our magazine by five digits. This experience has been frightening. It took our plant, which prints some 35 other magazines, 3 months to understand the problem, to consult with their local post office in Duluth, Minn. Finally, in February our printer started mailing. It was slow. Their workers were inexperienced in tying out and bagging. They found many errors in our list, some names out of sequence. We had to recut a thousand stencils. The printer then decided that our list on labels would have to be edited

and coded each month so mailing personnel would know what to do. They now tell us it will take 13 additional hours every month at a cost of \$6.50 per hour. Last week, we received a bill for \$1,025.64 for extra work, an amount which nearly equals our postage bill for those 3 months.

Both the printing plant and some experts admit there is something wrong. They may be doing too much, or simply don't have the experience yet. But remember, this was done with the help of the Duluth post office. Imagine the results and surprise for thousands of mailers, come January 1, when less experienced, less knowledgeable commercial mailers face the same problem.

I did not come here to burden the committee with my personal problems, but rather to present a picture of the status of ZIP code from the vantage point of a reporter. I do not speak for nor represent any association. I have no axe to grind for any special interest group. Out of the maze of information gathered in letters from the readers, visits to their offices, visits to postal facilities, including European installations, discussions with Post Office Department people, I believe I understand what's wrong. I hope to show that the ZIP code system did not stabilize soon enough, that the Department failed to promote the system adequately, that the architects did not fully appreciate the ramifications of the revolutionary numbering system.

First, let me say this: I'm convinced that a ZIP code program is the answer to expedite the movement of mail. We cannot continue under the old system. Mail volume is truly staggering and still growing. Volume is up better than 5 percent this year so far, more than 3 billion pieces annually. Labor problems are severe. Personnel turnover is up alarmingly. Major post offices once were concerned with a turnover rate of 9 percent. In the last 6 months, turnover has climbed to more than 25 percent in the three offices I have checked.

Beginning this year, many thousands of 30-year men took advantage of a bonus offered by Congress and retired. That left a big hole in supervisory ranks. Another major problem is that the employees don't think they are making enough, that they can do better in private industry, or on relief. Some of the turnover is undoubtedly tied to boredom, a feeling of getting nowhere in an increasingly sophisticated, leisure-bent society.

Modern, bright, first-class facilities might be part of the answer, you might think, but the modern, bright, first-class postal facilities are having the same trouble in this area as are the dingy, crowded, flooded facilities like the main post office in New York City.

Turnover makes holding on to skilled schemers of mail a nearly hopeless task. A number system for internal use will be a godsend, and the earlier the better, if we are going to get any semblance of reasonable service and avoid collapse. Or, just as bad, postage rates that we just couldn't live with.

So, on the surface there is some justification for the hard line being taken by the Post Office Department, the determination to make ZIP code a compulsory requirement. But it is an unnecessary requirement, and worse, impossible for many companies to live with. Compromise is needed, and soon.

Where are the problems? Most disturbing are recent revelations concerning weekly changes of ZIP code in multi-ZIP coded cities. I don't know for sure, but from printed sheets I have seen it looks like it is running at a rate of 40 to 80 changes per month, nationally. These are changes made by local post offices in the last two digits. Entire streets are moved from one zone to another (last two digits). This means that the ZIP Directory, which I understand closed November 30 for publication, is now out of date, creating frightful problems in file maintenance.

We broke the news of these startling changes in the April 15 issue of "Friday Report." At first, the Department denied the report, as did leading proponents of ZIP code within the direct mail industry. They said it couldn't happen because such changes are clearly forbidden by postal regulation 337.3. We produced the evidence and postal officials learned for the first time that changes were being made, quite innocently, I must add.

For years, local post offices have issued bulletins internally showing changes in postal carrier routes. This affected no one. When ZIP code came along, however, local postmasters did not distinguish some changes in local schemes as a change in ZIP code. So changes have been occurring since the ZIP Directory closed on November 30, 1965.

The Department has taken quick action in the Postal Bulletin, and it is hoped this practice will be stopped cold. But the damage is done. There have probably been 1,000 to 1,500 such changes since the numbers were frozen, affecting perhaps several hundred thousand stops or families, according to one of my informants.

There are perhaps a hundred sophisticated list compilers and publishers who have kept tab on these changes and are making corrections. They have, on their own initiative, been in contact with major post offices and had their weekly internal bulletins sent to them. But what about the other 300,000 permitholders? This is May 1966. Is it reasonable that all bulk mailers can get these changes, make corrections? And at what cost? When will revised directories be available? Will everyone know about a revised directory? Is there enough time for everyone to get ready?

Then there is the problem of multiple authorities for finding the number. These are five: the old directory, being used by people who don't know there is a new one out; the new directory, with some things missing; what people think their number or the number of addressee is at time of writing; postal workers who correct mixups; and private sources.

Rand McNally's new Atlas was promoted as the last word in a unique reference. It would be better than the Post Office Directory, they said, for it would list all towns and their ZIP code—some 89,000 served by 34,000 post offices. They have orders, we understand, for 225,000. Trouble is, it was out of date in terms of ZIP code until changed. It didn't reckon with former 643 multi-ZIP cities, delisted in January.

The 1966 Standard and Poor's Register has a lot of good information in it, but the ZIP coding data doesn't qualify either. The final forms for the register closed on December 1, too late to catch the rescinding of 643 multiple ZIP cities, the elimination of 14 multi-ZIP coded cities and the addition of 14 others. How many families or addressees does this figure involve?

For all intents and purposes the Standard and Poor's Register is worthless as a vehicle for ZIP coding. The register is updated quarterly and sells for \$96 per year. It carries 31,000 corporations, names of 258,000 officers, directors, et cetera, and carries 74,000 biographies of leading executives and their home addresses. At least one mail user who was ready to replate his entire list based on this register, including ZIP, was saved several thousands of dollars when his lettershop checked into the situation. But it highlights a key problem brought about by haste and earnestness to get the program in motion. Who will tell all businessmen that these directories are wrong? As far as publishers are concerned, they have paid a terrible price for cooperation.

As of April 15, there were still major mailers who hadn't received a copy of the new Post Office Directory yet. I was in Washington on that date when a phone call came in from a New England mailer, furious that he had not received the four he had ordered. At that time he had less than 9 months to get himself and his customers organized for January 1. Without the directory, those who have already ZIP coded and converted to numerical sequence do not have the right reference, for you must go to the directory to find the right number to search a numerical file. Without the new directory, names can go into file with wrong number and be lost, creating duplication, not to mention frustration with inevitable customer complaints.

We understand that many, many post offices just shrug their shoulders at requests. They tell mailers that they simply don't have them yet. So the file maintainers are in serious trouble. So are those who must get started if they are to meet the date and not have their bulk rates taken away from them.

UNREASONABLE BURDEN

The directory problem might not be so bad if public compliance was higher. But it just isn't. I've toured major facilities in several cities in past months. At the New York post office at 34th Street in New York City one day during the middle of April, I watched the staggering load move through the rush hour.

ZIP CODE?

It's on only a smattering of mail still. I was told that the number appears on less than 30 percent of first-class letter mail and flats. Parcel post is better, but you would be convinced that it should not be accepted at windows unless customer and windowman determine what the number is and write it on. I might add, parenthetically, that every window should be supplied ZIP Code Directories so that customer and seller can find the number and put it on packages, perhaps letters. There are needed, 100,000 directories alone, to play this game with the public.

During my tour I also examined tons of third-class mail. Incidence of ZIP number is surprisingly high, and this will continue to climb as months go by and will be of enormous help in moving mail to sectional centers.

What is being done about public compliance? Test programs are underway to jockey public into using numbers. A Florida experiment is completed. A San Francisco area is next. Then it will be expanded to the rest of country. All based on tests in Alexandria, Va., where they launched ZIP Code Week with much fanfare and publicity. Prehoopla sampling of outgoing mail showed public compliance at 17 percent. Three weeks after, it was up to 37.6 percent. Some weeks later, compliance was 44.9 percent. Not good enough.

We think it is wonderful that Time, Inc., McCalls, Reader's Digest, and others are volunteering their high-priced talent to carry the ball on these city-by-city promotions. But why should they have to? Can they continue such participation and underwrite the public's acceptance to nearly 100 percent compliance? Just like the publicity that surrounds introduction of any new product, won't advertising funds be needed to sustain the kickoff? And isn't it a bit late in terms of getting all business to complete their task by January 1?

All of this discussion so far involves getting the number. No one knows how many can or cannot be ready with lists numbered and sequenced in time. Among so-called professionals, most are proceeding to some degree. Some are completed but are having trouble with file maintenance. Most are in transition, and some are waiting for major equipment and systems decision; some are refusing to move until the situation stabilizes. Then there are those who don't have an answer—special situations. And no one knows how many thousands of companies are completely unaware of what is coming—people outside of the mainstream of advertising. Those who are dragging their feet can rally little sympathy, but those who are perplexed or can't move yet for some reason, those who are unaware of requirements are in trouble and are a major stumbling block to implementation. The exception offer of the Department is no answer. It will create unprecedented chaos and inequities.

What about sacking and sorting? The January 1 requirement makes the numbering problem pale by comparison, and seems to be the major stumbling block to reasonable implementation. For the average direct mail user, it appears to be much too complicated. I say "appears," because few, if any, mailers have had experience yet with mailing and merging all the way.

Commercial houses are completely at sea about what to charge, how much space will be required, whether they have the manpower, the time, the equipment to perform the feat. Some important tests were made in March by postal officials at a commercial plant. The problems of preparing mail to five digits, actually zoning mail, were readily apparent—space and time. Some important solutions were arrived at, short of going all the way.

On my tours I have found further unanswered questions. The New York facility I visited is tooling up for the sorting conversion. Cases are numbered, but mail is still being sacked and sorted as before. In the future there is intention at this time of post offices preparing outgoing mail any finer than to first three digits. It is not necessary to zone mail at point of origin. Outgoing mail will be tied and bagged to major multi-ZIP cities to first three digits only. For single-ZIP cities, mail will be tied by name and/or number, which of course happens to be five digits, but will be bagged to three digits—to the sectional center.

Everything not going to predetermined cities direct will go to sectional centers. This scheming will be of enormous help in unclogging terminals and large city post offices. At point of destination at sectional centers, bundles of single-ZIP mail can be thrown off easily. In multi-ZIP cities, sorters will have to zone mail, that is, sort to carrier stations. When public compliance is high, this will be easy and not require the degree of skill now necessary among employees.

It takes real room to achieve even a three-digit sort for mail not in numerical sequence, room which most post offices have to sort for only several States, but which commercial and private mailers do not have in sorting and bagging the whole country.

No post office has the space or time to accomplish a five-digit sort, to zone mail at point of origin. When and if the optical scanners are operational in only the largest facilities, outgoing sorting will be to a minimum of direct cities and the rest to sectional centers. The scanners, incidentally, can only read 10 percent of this mail at the present time.

Some version of simplified sorting must be sought by business from the Department, until the whole country is committed to the new filing system. If large, most sophisticated post offices cannot zone mail at point of origin, how on earth can they expect their commercial satellites—commercial and private mailhouses and mailrooms—to perform utter magic?

The large commercial mailers who control one list in numerical sequence, and publishers who must have their product delivered across a single list daily, weekly, or monthly can and should tie out to five digits, if they are ready by January 1. Most large publishers are ready, mainly because they have had nearly 4 years to think, experiment, and convert, and are on computer. But what about the others?

Our printer, who is also a publisher and who prints 35 publications, told me last week that he has talked to some 50 publishers about ZIP code in some detail. As late as April 25, he has found less than five who have made any real preparation for compliance. They knew about it, but cannot believe it is going to happen. So they haven't done a great deal of thinking about it. They are not convinced. They are not insiders. They have seen little convincing propaganda that that is it. So what is the the answer?

I spent a week in England, Holland, and Germany, the latter part of March. I was thrilled with what little I saw of London, Amsterdam, and Stuttgart in such a short time, and was startled with findings in Germany. I visited with Alfred Gerardi in Pforzheim, with whom we have an editorial franchise arrangement for his direct mail magazine, *Direktwerbung und Verkaufsforderung*. We spent the afternoon of March 25 at Pforzheim post office, a big, new facility and a showplace for mechanization and ZIP code implementation, as is our Detroit post office. Pforzheim plans to have a scanner on line by fall of this year.

My real discovery was that ZIP code is working in Germany. Herman Nagel, customer relations man with the Deutsche Bundespost post office, in Pforzheim, told me that 97.5 percent of all mail handled in Germany carries their ZIP code. Public compliance is beautiful, and so is businesses'. Everyone seems to be for it, and for several important reasons:

(a) Germany's Post Office worked out a total stable system in advance, then spent \$3 million in paid advertising, direct mail, and sales promotion, to sell it right;

(b) Gave every family a personal copy of a simple, 100-page, 4- by 5-inch directory;

(c) Decided on a four-digit number, one number to a city or village, which builds in stability of numbers requiring no changes except when a new village is born, thus permitting number to be displayed in every postmark, local postbox, poster, or station; and

(d) Gave business a straightforward, easy task; gave them a simple plan well in advance of the starting date.

From 1962 to 1965 the German post office asked business to sort and tie out the first two digits only, to earn the bulk rate, called mass printed matter rate. And, German mailers did not—and do not now—have to bag by the numbers; just tie out and deliver to post office in bags, boxes, or cartons. Now, as then, the post office sorts, bundles, and merges with other mail.

Beginning in 1965, mailers had to increase sorting one more digit to just three digits to earn bulk rate—tie out in bundles only. For mail not in sufficient volume to permit bundles, this is delivered loose. The post office sorts and merges, and the mailer pays the next higher rate for that operation to mail.

True, they have only 58 million people—we have 190 million. But despite population and size of territory, Germany's system is based on 500 districts—like our 552 sectional centers—which serve 38,000 German post offices, including an unusual number of small substations. Four digits is enough. Three-digit sorting by mailers is enough, and it is doing great things for postal productivity. Under it, direct mail is thriving. Piece volume is up dramatically. Direct mail volume was up 30 percent in 1965 over the year before, to \$450 million. ZIP code is working like a charm. It is simple, easy for the public, simple for business, beautifully efficient for the post office.

The system is much the same as in other countries. Austria, Switzerland, Liechtenstein, and Holland have a four-digit system. Holland has yet to make their number public, but Reader's Digest uses it in preparing magazine labels.

Well, where do we go from here? If I may summarize, there seem to be three major problems:

(1) The Post Office Department did not appreciate the enormity of the problem for business in accepting a revolutionary filing system to replace many, age-old ways of conducting business. To live with ZIP code you must maintain files in ZIP numerical sequence, or assume cruel costs in mail preparation. Three separate postal administrations confused business and the public, and slowed the thinking process about list-sequencing by ZIP. They first said that ZIP code was only for major mailers with computers and that it would be voluntary. They put

most people to sleep repeating on platform after platform that this would be a voluntary program, despite rather penetrating questions. Suddenly they shifted gears when John Gronouski came in, and in February 1965 announced their serious intentions for mandatory compliance beginning July 1965.

The Department soon saw that neither they nor major mailers could even remotely be ready, and so backed off until January 1967. Then came a string of exceptions, the significant one being for local newspapers. Had they not been given freedom to exclude the numbers, the Department would not have gained their support nor stemmed open opposition to mandatory requirements. The Department thus destroyed a valuable force for public relations. The newspapers could have played a valuable role in selling the public on using numbers, with the number appearing in the address of mailed copies, day after day after day. Their involvement would have helped sell the program.

Instead, the Department looked to a Mailers' Technical Advisory Committee, heavily oriented to newspapers and magazine publishers and their satellites, who were perfectly willing to accept harsh requirements in return for continued super-first-class, redtag handling of their product—their publications. They could make the date. They had to.

I have the distinct feeling that the Department leaned on the MTAC, whose members supposedly represented their industries, to sell all of American business on the need for the ZIP code program and get complete compliance under dates set down. But the MTAC does not represent all business. Of 4 million businesses, 2 million are retailers. What member of the MTAC represents this enormous group, and who has notified all retailers to the impending problems ahead?

We have been told that some MTAC members who wished to discuss important matters concerning the direct mail users were told to keep quiet, not to rock the boat. The feeling of that august body is that those who haven't gotten to it darned well will when they find they can't mail at bulk rates after 1967. What will they have to pay—and to whom—to get with it under a crash program?

(2) The ZIP code system did not stabilize soon enough. The late delisting of 643 multi-ZIP coded offices 4 months ago was unfortunate and has caused much hardship among early compliers.

Then there is the problem of the unfortunate, but accidental, changes in multi-ZIP coded cities we discussed before. They are not in the current directory, and the directory was late—very late. Some who will need it don't have it. There is the question of how to find the number of a community which the postal system does not recognize, the names of towns that people would rather fight to use than switch.

(3) The ZIP code system has faulted because of inadequate promotion. The Department relied on associations to carry the flag. The consequence is that not all users of the mail have gotten the word nor benefited by the close contact insiders had with the situation. The lack of promotion may not be placed in the lap of the Department. They had no money, nor the hope of getting any money from Congress. Time and again budgets have been slashed for more important projects.

Money is critical for two areas: (a) a massive training program for 600,000 postal employees; and (b) a massive advertising and direct mail campaign beamed intelligently to every single citizen.

We understand a training program exists and has existed for 6 months. It sits on a shelf for lack of funds to hire the people necessary to accomplish this enormous task, the manuals, workshops, meeting places, and training aids, so that every employee is talking the same language. The awful truth is that many mailers now seeking advice locally know more than local postal officials. There are as many interpretations as to what to do as there are those who are charged with the responsibility to explain. The errors, the starts, and stops, have damaged confidence within their own ranks, and this overshadows the thunder that January 1 will be so.

Just as serious is the lack of an advertising program to the public, produced by the smartest possible marketing team. The Post Office has no marketing team. There is no assistant postmaster general for marketing. They have no one who sits beside transportation, operations, facilities, or personnel, as the telephone companies have to sell their new ideas.

Two years ago the Department and Congress should have looked at this new product—ZIP code—and hired themselves a first-class advertising agency to produce a continuing, believable advertising program. From a practical matter, though, no self-respecting agency would have touched the project until they saw

that the product was right. But now it is nearly right, or could be by the end of this year. Now the need for an advertising program is paramount as an investment to success, as an investment in the enormous savings possible in the years ahead, as an investment toward a solution to the social and economic problems of employees. An advertising program, properly conceived, would sell the public, sell business, sell the employees, and point everyone in the same direction. Such an investment might equal 1 percent of sales.

The January 1 date is unreasonable, for not everyone can do it. We shall be ready, as pioneers, providing we finally achieve stability. Some others will, especially the publishers who really need this system to guarantee ontime delivery of their product. But what about the rest of the country and business? Can they be ready? Is the public ready? Does everyone have enough time, in view of the missteps to date, and lack of widespread promotion? Is the system really right? Are the rates right—the consequences for noncompliance at this time?

We think not. We think the Department can stick to the January 1 date in only one dimension—the official start of the program, a recommended procedure for those who can comply. Reward for compliance will be better service. Penalty for noncompliance—poor service. Then, in annual steps, the Department can add easy to accomplish requirements, backed by full exploitation at every level, giving time for experimentation toward full compliance and a stable system.

A part of the country's investment will be a continued differential in income and outgo until such time as the enormous savings possible take hold. That might be sooner than we think, but in any case, rates should not be held over the heads of the American people as the penalty for business not accepting a hastily imposed, improperly promoted, January 1967 mandatory date.

Careful decisions are needed at the earliest possible moment.

Mr. OLSEN. Would you care to summarize your statement for us, Mr. Hoke, while you have an audience? You could point up the highlights while you have us here, since we are going to be called to the floor soon.

Mr. HOKE. Mr. Chairman, I guess I will add nothing to the overall statement except a final recommendation which I would like to read.

We have had some experience as a publisher and as a user of direct mail, and we have gone through the system. We have had the experience. We have mailed our magazine at five-digit sorting. We have had our printing plant at Duluth, Minn., do it. We have had a lot of problems. My concern is we are doing it now, and if a lot of people get started and do it in January 1967, on the sacking and sorting alone, they are in for a lot of surprises.

Mr. OLSEN. Will you give the gentlemen the examples of what you ran into with postmasters changing the ZIP codes in multicoded cities?

Mr. HOKE. Well, sir, traveling around the country we have talked to the mailers. This is my business—to find out and report. One of the list compilers, about 3 weeks ago, tipped me off on this fact. We were out for the evening and talked about the changes being made in multi-ZIP-coded cities. I said, "It's impossible."

And he said, "You show up at my office at 8 o'clock tomorrow, and we will go through the mail, and we will pick out the mail from post offices around the country, and you will see for yourself"—which we did.

At 8 o'clock in the morning we looked at his mail and pulled out about eight envelopes, as I remember—manila envelopes—from post offices in multi-ZIP-coded cities. As we went through them, sure enough, in Dayton and one other city—I do not recall it—we found changes where the post offices had changed a group of streets from one ZIP code to another.

It was purely innocent on the part of post offices. For years they had been putting out weekly scheme changes. When the volume of mail got to be such on a street that they would need more carriers or

to change the routing, the local routing, they would issue bulletins internally.

When the ZIP code program came on, they did not distinguish that there was any difference in changing the schemes. As a matter of fact, in a number of cases in this last year actually the scheme changes were changes in the ZIP code. It is a sophisticated idea, but, nevertheless, it does cause difficulty.

We showed it to the Department, and they admitted that this was happening. Unfortunate, but nevertheless, it was happening.

We do not know how many changes of this nature have been made since November 30. As I understand, the present ZIP Code Directory was closed for publication November 30.

I have talked to some publishers who have also taken it on their own initiative to keep in touch with 314 multi-ZIP-coded cities to get this weekly bulletin on their own initiative. This was nothing official. This was so they could keep up with the changes.

I asked one of these gentlemen, or both of them, how many changes had happened since November 30. Nobody knows. The Department may know now.

Mr. OLSEN. But they are in the hundreds, are they not?

Mr. HOKE. They estimate about 40 to 80 a month, which would be about 500 to 1,000, since November 30, involving—

Mr. OLSEN. That is the January 1966 book we are talking about?

Mr. HOKE. Yes, sir. The one that is late getting out and the one still being delivered.

The important point, sir, is that this probably represents 200,000 families. If there are 1,000 changes or 500 changes, it probably involves 200,000 families. Well, it is an important thing.

The other thing I would like to bring before the committee is my experience in Germany. I went over there about 4 weeks ago. I wanted to see for myself exactly what was going on over there, and I was impressed with many things.

I talked to the customer relations man in Pforzheim, Germany, and he gave me copies of their directory. This is their directory for Germany [indicating], just a little thing.

Mr. OLSEN. Of course, it is a little country.

Mr. HOKE. It is a little country—58 million population, however, one-quarter of ours.

Mr. OLSEN. The testimony yesterday was, we handle as much mail in December as they handle all year.

Mr. HOKE. That is true, but the problems are not unrelated. The interesting thing was that I learned in Germany about their implementation. First, I learned that they have compliance, and it is true they have 97.5 percent compliance.

The post office sold the system. They gave business plenty of warning. They assigned only a four-digit code. It could have been a five-digit code. It does not make any difference. The important thing is one digit to a town. This simplified the system immediately and permitted such a small directory.

This is Germany [indicating]. That is Switzerland [indicating]. This is Austria [indicating]. Every single home was supplied one of these directories free. Every single home has one.

In addition, they spent \$3 million in public advertising to sell—

Mr. DANIELS. Mr. Chairman, may I interrupt at that point?

Mr. OLSEN. Mr. Daniels.

Mr. DANIELS. Do you not agree that Germany, being a much smaller country, with fewer cities and fewer post offices, can very reasonably get along on a four-digit code, but due to the vast expanse of this country, with 48 contiguous States and two outlying States, we have an entirely different problem in this country?

Mr. HOKE. I think our problem is larger, Mr. Daniels. They have 500 sectional centers as we do—Imagine a country of their size. Their system is very much like ours, and they have 38,000 post offices.

Now, it is not really 38,000 post offices the way we think of it. It is 38,000 post offices and an unusual number of substations.

They do have this network, and it is based on a system of 500 sectional centers such as we have. They have a higher density of population. That is one of their problems. They do not have the transportation problem we have of vast distances, but their system is similar.

Mr. DANIELS. We know, of course.

Mr. HOKE. You have been there.

Mr. DANIELS. This committee has been there. Mr. Olsen and I were in Pforzheim. We were in Berlin and in Frankfurt. So we are familiar with the system.

Mr. HOKE. The other thing I think that is interesting too, sir, is when they started the system they gave business 3 years to sort only to the first two digits as an experiment, as a method of phasing in. That was from 1962 to 1965.

And at the beginning of 1965 they said, "All right, fellows. We are going to take up one more digit. Now you will sort to three digits."

But they did not require sacking. They said, "You tie your mail up by two digits and deliver it to the post office any old way you can get it to us—in boxes, cartons, or bags—you name it."

Mr. OLSEN. I think this is an important point. This is the place where maybe we can make some compromise on the hardship. This is my thinking. If the ZIP code is compulsory January 1, how far do we go with the sorting and sacking?

Mr. HOKE. Right.

Mr. OLSEN. This is a place where perhaps Time and Life magazines—and I think they have done a splendid job; I am not critical of them. I think—

Mr. HOKE. They have done a fine job.

Mr. OLSEN. They have done a beautiful job. Maybe they can sort and sack to some 552 sectional centers, but maybe others cannot. As we noted when we got up to Stamford, Conn., we saw equipment by Pitney-Bowes that is beautifully designed for this kind of standard mail—third-class mail is standard—that is in batches. The machines could handle it.

So maybe the post offices could handle with machines some of the problems that these people are having with the extra digits.

Mr. HOKE. Let me say in summary what I think the problem has been.

The Post Office did not appreciate the enormity of the problem for business in accepting a revolutionary filing system to replace many age-old ways of conducting business. To live with ZIP code you must maintain files in ZIP numerical sequence, or assume cruel costs in mail preparation.

Three separate postal administrations confused business and the public and slowed the thinking process about list sequencing by ZIP. They first said that ZIP code was only for major mailers with computers, and that it would be voluntary. They put most people to sleep repeating on platform after platform that this would be a voluntary program, despite rather penetrating questions.

Suddenly they shifted gears when John Gronouski came in, and in February 1965 announced their serious intentions for mandatory compliance beginning July 1965.

The Department soon saw that neither they nor major mailers could even remotely be ready and so backed off until January 1967. Then came a string of exceptions, the significant one being for local newspapers that Mr. Maginnis talked about.

I really think that the newspapers could have been an important part of this program.

Mr. OLSEN. As a matter of fact, it would be easier for them.

Mr. HOKE. Local newspapers; yes.

Mr. OLSEN. Their addresses are more permanent.

Mr. HOKE. And it would be a public relations program because day after day the ZIP code would be in the address of the newspapers mailed locally.

Instead, I think, the Department looked to a Mailers' Technical Advisory Committee, heavily oriented to newspapers and magazine publishers and their satellites, who were perfectly willing to accept harsh requirements in return for continued super-first-class, redtag handling of their product, their publications. They could make the date—they had to—and so can we. I am talking about our magazine.

Mr. OLSEN. I am going to stop you there, if I may, and ask if you could not come back next week. You are not too far away at New York. And maybe you can help us next Wednesday. I want to say that Mr. Krebs had a bright idea when we were in New York the other day that, inasmuch as there is redtag handling. When we come to exceptions on the ZIP code perhaps we could have bluetag handling.

Mr. HOKE. Right.

Mr. OLSEN. It is possible that we can have exceptions until we learn how to live with this situation.

Now, if I may, I would like to excuse you, Mr. Hoke, because we do have a witness that came from Iowa, and that is a good bit of distance. It is halfway to Montana.

I want to recognize that gentleman, Joseph L. Miller, representing Maytag Dairy Farms of Newton, Iowa.

**STATEMENT OF JOSEPH L. MILLER, ON BEHALF OF MAYTAG
DAIRY FARMS, INC., NEWTON, IOWA**

Mr. MILLER. Thank you, Mr. Chairman.

My name is Joseph L. Miller. My address is 918 16th Street, Washington, D.C. I represent Maytag Dairy Farms, Inc., Newton, Iowa, and its manager, Mr. Mel Campbell. We have been producing top-quality Blue cheese for the past 25 years, all of which has been sold by word-of-mouth or direct mail advertising, and nearly all of which has been shipped to our customers by parcel post.

First, let me say that we believe ZIP coding our parcel post shipments has speeded up delivery of a perishable product, with certain notable exceptions.

ZIP coding our mailing pieces, however, is a tremendous task, and the required sorting for mailing will be an even greater and more expensive one for a small, unmechanized business like ours. We hope you will give us more time to work this out.

May I file for the record and make a part of my statement a telegram I received yesterday from Mr. Campbell.

Mr. OLSEN. Without objection, it is so ordered.

(The telegram referred to follows:)

Our mailing list includes approximately 125,000 names on addressograph plates. Constant changes necessarily must be made to keep the list updated. ZIP code numbers are being added as we can obtain manpower to do the job. It will be a long and costly process to complete this work, since we must look up each number from the 1,695-page ZIP book and emboss each of our addressograph plates. Given time, we can complete this job, expensive as it is.

But after our list is completely ZIP coded, the sorting required by the pending regulations will be almost intolerable in a small establishment such as ours. I wish each member of this committee could see our office out on the farm. The little piles of mail to be required will not only cover all the floor space in the office but most of the barnyard outside.

In all probability, our relatively small mailings will go to all 552 sectional centers; then to villages, towns and cities; 314 cities require presorting to each separate postal delivery unit. Chicago has 58 ZIP units, Los Angeles 69, Detroit 40, even Sioux City has 9.

We presently sort and bundle by cities only. This is done by hand. Sorting to ZIP code requirements will be an endless job, involving space, labor which is hard to come by in Newton, at a cost which could make us seriously consider other selling techniques far less suitable for our business.

We just cannot afford, nor would it be practicable, to install electronic and computerized sorting equipment such as large mailers may already have, and can well afford. Nor can we, in our location, farm out this job, since this would be too expensive and too far removed from our control.

If these sorting regulations were deferred for 3 more years, we could, perhaps, find an answer to our problems. We ask just that.

Mr. MILLER. Thank you very much.

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

Now, because we have a busy day on the floor, I think I must excuse the members of the committee and adjourn this meeting until next Wednesday at 10 o'clock.

(Whereupon, at 12:05 p.m., the subcommittee recessed, to reconvene at 10 a.m., Wednesday, May 11, 1966.)

ZIP CODE SYSTEM IN THE U.S. POSTAL SERVICE

WEDNESDAY, MAY 11, 1966

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL FACILITIES
AND MODERNIZATION OF THE COMMITTEE
ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met at 10:15 a.m., pursuant to recess, in room 346, Cannon House Office Building, Hon. Arnold Olsen (chairman of the subcommittee) presiding.

Mr. OLSEN. The subcommittee will come to order. We are continuing the hearings on the ZIP code proposal of the Post Office Department, with special attention to reviewing possible hardships to mailers and employees.

Our first witness this morning is Mr. Patrick J. Nilan, legislative director of the United Federation of Postal Clerks.

My notes say that you are accompanied by Henry T. Anglin, administrative vice president, and Mr. Archie Salisbury, president, local 578, Texarkana, Ark.-Tex.

We are very glad to have all of you gentlemen here.

We want to review the situation again, Mr. Nilan.

Thank you very much.

**STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR,
UNITED FEDERATION OF POSTAL CLERKS; ACCOMPANIED BY
HENRY T. ANGLIN, ADMINISTRATIVE VICE PRESIDENT; AND
ARCHIE SALISBURY, PRESIDENT, LOCAL 578, TEXARKANA,
ARK.-TEX.**

Mr. NILAN. Thank you very much, Mr. Chairman.

We do appreciate very much the opportunity to once again appear before this distinguished committee in support of H.R. 9551, introduced by the chairman, and concerned with the use of ZIP codes in the postal service.

For the record, my name is Patrick J. Nilan, legislative director of the United Federation of Postal Clerks. I am accompanied this morning by Henry T. Anglin, administrative vice president of our union; and Archie E. Salisbury, president of local 578 of our union from Texarkana, Ark.-Tex.

When I conclude my statement, Mr. Chairman, we would appreciate your approval to permit Mr. Salisbury to present a statement specifically concerned with the Post Office Department plans to accomplish a final phaseout of the Texarkana mail facility.

Mr. Chairman, it is exactly 12 months ago today, on May 11, 1965, that the United Federation of Postal Clerks, with representatives from

local 578, appeared before this committee and explained in detail the considerable adverse effect which would result from closing the mail facility at Texarkana, Ark.-Tex., as a result of the ZIP code-sectional center concept of mail handling and would adversely affect, not only postal employees but also the general community of Texarkana.

This committee provided our union with an opportunity to again testify in detail on May 18, 1965, concerning the official position of our union in opposition to the mandatory ZIP code effective date of January 1, 1967, promulgated by the Post Office Department.

Finally, on May 19, 1965, representatives of our union in Florida accompanied me before this committee again to factually demonstrate the adverse impact of the ZIP code-sectional center program about to descend upon patrons, railroads, and postal employees in the State of Florida.

We now appear before you this morning, Mr. Chairman, and members of this committee, perhaps for our final opportunity, to urge this committee to recommend to the Congress enactment of H.R. 9551 as expeditiously as possible in the best interest of postal patrons throughout this great country of ours, numerous American communities, and also on behalf of our postal clerk membership.

In order not to be repetitious and in appreciation of this committee hearing us again on this important question, we will not discuss at length the present situation in Texarkana and the related phaseouts of Ogden, Utah, and Council Bluffs, Iowa, terminals as Brother Archie Salisbury will comment on these situations in his testimony.

We would like to state for the record, however, that, based on information available to us, the original Post Office Department program to phase out these three mail facilities resulted principally from the Department hopes and expectations that the vast majority of third-class mailers would, in the months following phaseout of these terminals and to date, be sorting the overwhelming part of all their mail to postal sectional centers.

It is our sincere belief that this first phase of this phaseout expectation by the Post Office Department has not materialized.

Mail formerly worked in the Ogden, Utah, terminal has been relabeled to various distribution points in California. Mail formerly worked in Council Bluffs, Iowa, is being relabeled to the Omaha, Nebr., post office, requiring additional personnel to process it.

The Omaha post office, by the way, is just across the river and State line from the Council Bluffs terminal which was phased out to accommodate this program.

We have been authoritatively advised that mail arriving at Texarkana, which cannot be distributed by the minimum clerical force still remaining there, is now being relabeled or rerouted to Dallas and Fort Worth, Tex., for distribution. Reports indicate that, in spite of this artificial drying up of transit mail from Texarkana, that considerable continuing overtime has had to be authorized to cope with the substantial volume of mail still being worked at the Texarkana mail facility.

We suggest, Mr. Chairman, that the phaseout of these terminals, which we insisted a year ago be delayed, are now resulting in considerable rehandling and redistribution of mail by postal clerks since the phaseouts occurred prematurely and without basis of need and not in the best interests of the postal service.

ZIP code has not been the tremendous overnight success, in our opinion, as the Post Office Department predicted in 1965, and there are continuing indications that much of the State mail, which was to have been ZIP coded, still requires fine distribution by postal clerks.

There is no indication that the situation will materially improve in the next 6 months to the point when the arbitrary imposition of the ZIP code program becomes mandatory on all mailers on January 1, 1967, by order of the Post Office Department.

Mr. Chairman, if I may, at this point I would like to deviate from my prepared statement and mention that we got some unhappy news yesterday afternoon from our publisher, Merkle Press. This company prints and mails out our monthly magazine to approximately 150,000 members. It gave us the unhappy news yesterday that it is going to cost us 14 cents to readdress each of our address plates to make them consistent with the ZIP code program. This will cost us approximately \$21,000 and, I might add, as a patron of the U.S. mail, we are not a bit happy about this cost.

I might also add the Merkle Press people advised us that the continuing cost in the future in not only the precoding but the presorting and the prepouching of our mail will be a substantial increase over our present mailing cost.

Mr. OLSEN. Have they given you a figure yet on that continuing cost per piece?

Mr. NILAN. We asked for it but they told us at this time it would be impossible to give us a figure because they are not set up to handle the tremendous increase in the preparation of this mail at this time, and they have not got complete cost figures worked out. They will give us a figure and we will be happy to provide that to the committee as soon as it is available.

Mr. OLSEN. Thank you.

Mr. NILAN. I mention this to you because we are not only a union, but we are also one of the country's large mailers comparatively, and we are concerned in both areas of endeavor in opposing the January 1, 1967, mandatory ZIP code program.

The Post Office Department is still going through a period of transition and tremendous change as a result of the ZIP code sectional center concept of mail handling. This is substantiated by Post Office Department orders to local postmasters directing them not to change ZIP codes when delivery zones in their respective post offices are adjusted to accommodate the ever-expanding suburbia areas of mail delivery in the United States. We understand in this regard that the National ZIP Code Directories, which have been issued in the past, already are relatively obsolete, because of the number of changes that are taking place in mail delivery routes and delivery zones throughout the country.

Mr. Chairman, at this time we would like to introduce in the record information provided to us by our national vice president for the Denver postal region, Mr. Carroll Rohr, in support of our representations.

The untimely, ill-advised, and premature phaseout of the Ogden, Utah, terminal certainly was not in the best interest of the postal service, either as an efficiency or economy program. Figures for fiscal year 1965 show that the Ogden, Utah, mail operation was, prior to being phased out, one of the most efficient postal operations by an

extremely wide margin in the Denver region using as a basis the evaluation of "Part I: Work measurement system post offices," in this particular postal region.

The relative operational efficiency clerk-mail handler functions for fiscal year 1965 in the Denver region shows the following interesting comparisons—I will not read the table, but point out it is important to note that the Ogden, Utah, mail terminal facility as a whole had a percentage of 108.33 percent as far as the efficiency rating under the Post Office Department's work measurement system program.

By comparison, the regional average for other such post offices was 84.26 percent. Nevertheless, the Post Office Department insisted that the facility at Ogden had to be terminated in the best interest of the service.

Mr. OLSEN. Without objection, the whole table of percentage of efficiency will be inserted in the record at this point.

Mr. NILAN. Thank you, Mr. Chairman.

(The table follows:)

Part I: Work measurement system post offices

	<i>Percent</i>
Ogden, Utah.....	108.33
Tucson, Ariz.....	91.06
Phoenix, Ariz.....	84.89
Salt Lake City, Utah.....	84.08
Denver, Colo.....	79.30
Colorado Springs, Colo.....	79.10
Albuquerque, N. Mex.....	73.22
Regional average.....	84.26

Mr. NILAN. We have been advised that since the phaseout of the Ogden terminal, a number of California post offices have had great difficulty in keeping California third-class mail current. The Ogden, Utah, terminal processed approximately 2,000 sacks of such circular matter each day.

We have been advised last fall that a news report in the November 3, 1965, Los Angeles Herald-Examiner reported that the Los Angeles postmaster announced he needed 500 additional employees in the post office. One of the main reasons for this increase in employees could be attributed to the closing of the mail terminal operations at Ogden, Utah, and Council Bluffs, Iowa. It is important to keep in mind that approximately 380 postal clerks were originally declared excess in these 2 mail terminals.

We also understand that following the phaseout of the Council Bluffs and Ogden, Utah, mail terminals, a tremendous increase in the number of third-class mail sacks being processed in outer post offices around the Los Angeles area were being worked by clerks on an overtime basis. We even have one report that California circular matter sent to Los Angeles, Calif., on August 7, 1965, was still unworked as late as November 3, 1965, at Alhambra, Calif.

We also had reports that following the phaseouts at Ogden and Council Bluffs and as of November 22, 1965, there were approximately 50,000 sacks of unworked California circular mail in the Los Angeles postal facility alone. Such delays would result in a considerable amount of Christmas mail advertising and other third-class mail not getting delivered in time to benefit the postal patron who mailed this material.

We were advised in January of 1966 that the Post Office Department had a lease, which would not expire until November 30, 1969, on the terminal building at Ogden, Utah, at an annual rental of \$36,243.60. Further, that this lease could not be terminated. It would certainly appear that the November 15, 1965, phaseout of the terminal operation was even more premature in view of this continuing expense.

Mr. Chairman, we would like at this time to introduce attachment A which is entitled "Postal Error Abuses Free-Mail Rights," from the Miami News, front page of March 30, 1966. We will refer to enclosure A in referring to an article from our local 1484 publication of Hialeah, Fla., entitled "Tipsheet."

The following references from the local 1484 publication in our testimony clearly demonstrate the great lengths to which the Post Office Department will go to in an effort to publicize their ZIP code program and try to convert the mailing public to use the yet unproven ZIP code program.

The local 1484 paper is quoted from their March 30, 1966, edition as follows:

The Hialeah post office and its patrons have been treated (or exposed, according to your point of view) to an entire week of unprecedented mass hysteria, otherwise known as ZIP Code Week. The questionable propaganda put out in the last week by the Post Office Department in support of their current project is exceeded only by the probable gullibility of a public which has steadily become more inured or resigned to accept a reduction of their individual identities as persons to a handful of digits to be considered, serviced, cataloged, and even directed by a bunch of inhuman and unfeeling robots, better known as computers.

We suspect that every employee at this office, Hialeah, Fla., has been wondering how much all of this propaganda costs and where the money is coming from. We confess we don't know the entire answer, but we do suspect it is astonishing that the Post Office Department, which operates at a deficit and constantly pleads poverty to excuse curtailment of mail services, can afford expenditures to promote ZIP code propaganda, and should call for some official explanation.

We can only guess, locally, as to how much money has been expended as to wasted salary of high postal officials—including some from Washington, as well as from the Atlanta postal region—and their travel expenses.

Local clerical hours used by carriers on the ZIP Week alone run into hundreds of hours. Many supervisors at this office, at least nine, have earned portions of their salaries, ranging from perhaps 25 percent to practically the entire amount of their wages during the past week and even the weeks preceding it, in pushing Mr. ZIP. The number of clerks who have devoted large amounts of their working hours to ZIP Code Week can only be estimated, but the salary expense certainly must be considerable.

Now, Mr. Chairman, the reason for including attachment A from the Miami News publication of March 30, 1966, is in support of the following statement included in our local 1484 publication, and I again quote:

Now for the kingsize boo-boo of them all. At least one local bank was furnished with penalty envelopes and reprints of an article from the Reader's Digest "Crisis in the Post Office," to mail to their patrons along with advertising the services of the bank.

As taxpayers, we question the propriety of a Government agency subsidizing the advertising of a commercial enterprise, regardless of any side benefits the Post Office Department may hope to realize. The magazine gets \$1.80 per thousand for the reprints and we doubt that Mr. ZIP received them gratis. The envelopes aren't free, either, and the going rate at present for first-class mail is 5 cents per ounce. Thousands were mailed, and here is the punchline, and none included the ZIP code of the addressee, and most did not even contain the ZIP number of the post office in the return address.

Now, certainly in a program such as this, trying to sell the ZIP code program—and they don't even go to the trouble of having the ZIP code on the address or the ZIP code on the post office for the return address—certainly indicates confusion in the Post Office Department in implementing this program.

Mr. OLSEN. That was subsequent to the January 1966 catalog of ZIP code numbers, was it not?

Mr. NILAN. Yes; subsequent to it.

Mr. OLSEN. January 1966 edition of the ZIP Code Directory.

Mr. NILAN. That is right, Mr. Chairman.

Mr. OLSEN. Thank you.

Mr. NILAN (quoting):

The Hialeah post office itself mailed a propaganda sheet and ZIP map to its patrons. Unfortunately, the map must not be too clear since there are apparently just as many calls as ever from patrons wanting Hialeah ZIP numbers. We got one addressed to "All Employees."

This sheet points out that as postal employees we are in a position to observe how ZIP cuts costs, speeds delivery of mail and performs other wonders too numerous, and too preposterous, to mention. OK, employees, show us how this ZIP code magic works. Quote:

Any employee of the post office, and this includes management if they will be candid, will have to admit that a letter with a ZIP number is handled in the identical manner as those with no ZIP code.

With this in mind, how in the world can the use or nonuse of a ZIP code affect faster delivery of mail? Quote:

On the other hand, the insistence by the Department that carriers code forwarding addresses, that clerks waste hours pasting ZIP decals on distribution cases to no purpose, and that clerks do all the myriad and futile jobs that ZIP code makes necessary, adds up to a waste of time and money that is painfully obvious to the greenest postal employee. Perhaps even worse, it can add up to delay in the mail service.

Mr. Chairman, it may appear unusual to include information at a hearing such as this from one of our local union papers. However, we do feel that the presentation in the Hialeah "Tipsheet" reflects the type of Mr. ZIP propaganda which is being used to expose the mailing public to a program which is a long way away, if ever, from complete fruition.

These quoted remarks also reflect the general attitude of most postal clerks—and we are confident even many management officials—toward the ZIP code program, that is, if they could all openly and freely express themselves on it.

Mr. Chairman, we would like to avoid any possible misunderstanding of the degree of hardship being suffered by postal employees still subject to being phased out of the Texarkana mail terminal, as referred to in the statement presented by Assistant Postmaster General Ralph W. Nicholson to this committee on May 3. In reviewing Mr. Nicholson's testimony, it would appear that the question of hardship on such employees is only of nominal consideration. We are confident the Assistant Postmaster General did not really intend to minimize this hardship, but you will note in his testimony that there is no mention made of any specific or even general category of hardships which these employees have been and will continue to undergo, both financial and personal, as a direct result of the Texarkana phaseout operation.

I am confident that when you read the statement by Archie Salisbury, president of our Texarkana local, that you will recognize that the hardships involved are indeed considerable.

Mr. Nicholson also states, "previously, a total of 136 employees at Texarkana were relocated voluntarily." Again, to avoid any misunderstanding, these employees did not voluntarily request relocation but rather, involuntarily, since they had absolutely no choice but to be relocated to other post offices in Texas, Louisiana, and Arkansas.

We do feel, Mr. Chairman, that Mr. Nicholson's statement would indicate that each employee had complete control over his relocation and that of his family, but we can assure you, on behalf of these employees, it was not done, voluntarily, by such employees involved.

In another paragraph of Mr. Nicholson's statement, he states as follows:

We expect to complete the phaseout of Portland, Maine, and Springfield, Mass., before the end of the year, reassigning 28 employees at Springfield and 26 at Portland.

This statement, considered by itself, would imply that the mail facilities at Springfield will be completely phased out as of that time. Naturally, nothing could be further from the truth as we have been informed that only 28 employees out of approximately 550 will be personally affected by the phaseout at Springfield, Mass., and actually only 26 employees are affected at Portland, Maine.

Mr. Chairman, so we don't give any misunderstanding, we are happy that only 28 out of 550 at Springfield are being relocated and only 26 employees are affected at Portland. We are mentioning this, however, to point out the differentiation between the total phaseout in Texarkana where some 300 postal employees will be forced to move their families, sell their homes and so on, as Mr. Salisbury will bring out in his statement.

Further in regard to the two phaseouts at Springfield and Portland, none of the employees concerned will be forced to leave these facilities or relocate as the adjustments will be accomplished through attrition or other assignments in the area, and they will not be required to move their homes and families. And again, I say "Amen," that they will not suffer these hardships.

We certainly were very much impressed and appreciative of the very excellent statement by the chairman of this committee on May 3, 1966, when he reconvened this committee to continue hearings on compulsory ZIP code in the U.S. postal service. We certainly agree, as the chairman stated:

The ZIP code controversy is very much alive. In fact, its full impact will not be felt until next year and we could very well be deeply involved again with this subject in the next Congress.

The questions the chairman raises in his opening statement are certainly worthy of penetrating consideration and factual, realistic answers prior to the Post Office Department being permitted to establish any compulsory ZIP code effective date.

We certainly hope that this committee will insist on receiving answers to these questions prior to the completion of the hearings.

Mr. Chairman, we would like to make the same plea to this committee as we made in a letter to all members of the 89th Congress on September 8, 1965, which outlined our challenge of the arbitrary and

compulsory introduction of the ZIP code program by the Post Office Department as follows. We stated at that time:

It is our considered opinion that the Post Office Department in its frantic haste to establish these controversial programs is clearly usurping the constitutional authority of Congress to fix postal policy—an authority reaffirmed by the Congress as recently as 1958, in section 103(A) of Public Law 85-426, which states: "The Congress hereby emphasizes, reaffirms, and restates its function under the Constitution of the United States of forming postal policy."

We do believe, Mr. Chairman, that the Congress of the United States has not only the right, but the responsibility, to decide whether or not the ZIP code program as a major and perhaps the most far-reaching postal policy change, should be inaugurated simply by an arbitrary decision of the Post Office Department. We feel that the Congress should legislate in this area prior to the adjournment of the 89th Congress.

Let me say, Mr. Chairman, that our union is not opposed in principle to progress or even to the potential use of ZIP code in conjunction with technological advances, if such progress is accomplished in an orderly procedure and is firmly established as an efficient and economical program in the best interest of the mailing public.

However, in our opinion, ZIP code, without doubt, has been aggressively oversold to the public at this stage and most of the technological advances suggested by the Department to make it completely operative are still in the laboratory of things to come of the Post Office Department, and far removed from a practical operational status.

Mr. Chairman, we believe that an important policy question for this Congress to decide is whether or not an integral part of the postal service, to date a responsibility of the Post Office Department and its employees, shall be shifted to the backs of private mailers and patrons. We honestly believe that postal employees, specifically our postal clerks, are much more competent, knowledgeable, and service-minded to perform all sorting, preparation, and sacking of mail with proper labeling than any employees in private industry.

We honestly believe that these services should be performed by postal workers, consistent with postal laws and the intent of Congress, rather than requiring mailers and the mailing public generally who should receive these services being arbitrarily required to perform them. It is our hope that the Congress of the United States will share with us our recommendation in this regard.

Before I conclude, Mr. Chairman, we mentioned earlier in our testimony attachment A included at the end of our statement for reference purposes. At this time, we would like to state that we have four additional attachments, B, C, D, and E, following attachment A, which we are presenting for the information of the committee.

These last four attachments are representative press and magazine articles questioning progressive (or regressive) changes in the mail service resulting, in general, from the ZIP code-sectional center concept of mail handling.

These attachments are identified for the record as follows:

Attachment B, the Fayetteville, N.C., Observer, March 28, 1966.

Attachment C, Greensboro, N.C., Daily News, February 20, 1966, "Transportation: Postal Service Key."

Attachment D, the Wall Street Journal, October 12, 1965, "Mail Train Blues."

Attachment E, Union Postal Clerk and Postal Transport Journal, May 1966, "What's Wrong With Mr. ZIP?"

Mr. OLSEN. Without objection, all those attachments will be made part of the record as you have requested.

Mr. NILAN. Thank you very much, Mr. Chairman.
(The attachments follow:)

[From the Miami News, Mar. 30, 1966]

POSTAL ERROR ABUSES FREE-MAIL RIGHT

(By Verne O. Williams, reporter of the Miami News)

The Hialeah post office used its free mailing privilege to send out advertising material for private companies, Postmaster James W. Anderson said today.

Anderson, who has held his job for only 3 months, said the material was mailed because of a misunderstanding of postal regulations. "We regret the error," he said.

Anderson conceded a mistake had been made after several Hialeah residents complained of receiving promotional material from banks and other firms in official Post Office envelopes.

The advertising was mailed with a reprint of a Reader's Digest article as part of the national promotion of ZIP Code Week.

Anderson explained that the companies donated the use of their addressograph machines to help with the huge mailing. "Permission was inadvertently given to the business institutions to insert unofficial material," he said.

The magazine article said use of the ZIP code was being opposed by postal clerks who needlessly feared its use would reduce the number of jobs. A notice with the article offered reprints at \$18 a thousand.

Also mailed was a brochure from a bank offering checks bearing the ZIP number of customers, and material from other companies.

[From the Fayetteville Observer, Mar. 28, 1966]

SIDELIGHTS

(By Bob Wilson, Observer State Editor)

Postal patrons in many of The Observer's area towns are not exactly happy over the recently reorganized mail distribution system.

Several months ago, the Fayetteville post office was set up as a mail distribution center for some 80 post offices in this section of the State.

While mail is coming into and going out of Fayetteville several times each day, the nearby post offices now have only the incoming and one outgoing mail to Fayetteville each day.

The program, according to the Post Office Department, was at least in part designed to speed up the distribution of mail by effecting "next day delivery" over a large area.

This may well have resulted in speeding up long distance mail deliveries, but such apparently wasn't the case with mail moving within the area covered by the Fayetteville distribution center.

For towns which formerly had two or three outgoing and incoming mails daily have now wound up with only one of each.

This has produced some definite handicaps, especially on weekends.

The nearby towns usually have their incoming mail delivery in the morning, and their mail goes out late in the afternoon or early in the evening.

But on Sundays, the outgoing mail dispatch switches to a morning hour.

For instance, in Maxton and Red Springs, the lone Sunday mail departures are 9 and 9:30 a.m. respectively.

After that time, the next mail leaving the two towns is on the following Monday afternoons, at 6 and 6:30 p.m., the regular weekday schedule.

And if a patron in either one of those communities—and others in the area have similar schedules—gets to the post office on Sunday morning at 10 a.m., with a letter, it sits right there for some 32 hours before it gets started on its way. That doesn't exactly result in "next day deliveries" to anywhere.

As one postmaster put it when questioned regarding the new system, "It's pretty hard to defend yourself against complaints when you're offering that kind of service."

[From the Greensboro Daily News]

TRANSPORTATION: POSTAL SERVICE KEY

Modernization—including mechanization—of the postal service, now undertaken under Postmaster General Larry O'Brien, is long overdue.

Mounting complaints obviously led President Johnson to name capable and long-recognized troubleshooter O'Brien to head the Post Office Department. The new Postmaster General has been working diligently to lift morale, increase support and confidence of the public and alter the postal service's sagging image by press statements, radio announcements and TV spot appearances.

We have felt all along that a major factor in worsening postal service has been transportation changes. As train after train—especially short-haul passenger trains—discontinued, the Post Office Department has never succeeded in filling the gap.

It did little or nothing in seeking to maintain such train service as seemed essential to expeditious handling of the mails and parcel post. For a while it appeared that highway postal routes, where the once elite postal transportation employees worked the mail just as they used to do in the train mail cars, might maintain the previous speed and high quality service.

But more recently there has been diminution of these highway facilities. In turn bulk hauling has largely taken over, and the ballyhoo about new distribution centers and methods has proved unconvincing as the public had daily evidence of delay and inefficiency. Our experience has been that through mail fares relatively well but intrastate mail service has been intolerable. The breakdown and delay of transportation have been obvious.

That is why we are expecting some but not too much relief from automation in the post offices and mail-handling centers. They will and can do the job and modernization will undoubtedly help. But post offices and terminals cannot sort, distribute, dispatch and deliver mail until it reaches them. And that is the rub which Postmaster General O'Brien's leadership, imagination, and ingenuity must eliminate.

[From the Wall Street Journal, Oct. 12, 1965]

MAIL TRAIN BLUES: POST OFFICE'S SWITCH TO TRUCKS SPURS RAILS TO END PASSENGER RUNS—ATLANTIC COAST LINE DROPS EIGHT LOCALS, C. & O.-B. & O. SEES 40 PERCENT OF RUNS JEOPARDIZED—MRS. WARD'S CHICKEN WOES

(By Burt Schorr, staff reporter)

WASHINGTON.—Even as the Government moves to invest millions in improving rail passenger service in the Washington-Boston northeast corridor, its Post Office Department is helping to send many a passenger train highballing into oblivion.

More and more passenger runs in many parts of the land are receiving a financial death blow as the Department diverts mail—and important mail-hauling payments—from passenger trains to highway trucks and piggyback rail-truck service. In consequence, many ordinary travelers and some businessmen are being discomforted.

The sole aim, postal officials insist, is to obtain the most efficient and economical transportation. "The Post Office Department has no legal right to continue the transportation of mail on trains when it has been established that better service can be provided at less cost by highway transportation," asserts Assistant Postmaster General William Hartigan, who heads the Department's Bureau of Transportation. "It's up to regulatory agencies to determine whether a railroad company shall be permitted to discontinue train operations."

Almost inevitably however, loss of mail revenues pushes a train operation deep enough into the red for the line to convince State public service bodies or the Interstate Commerce Commission it must be discontinued.

MILWAUKEE ROAD ACTION

Just the other day, the commission agreed with the Chicago, Milwaukee, St. Paul & Pacific Railroad that its trains No. 219 and 220, running 181 miles daily between Sioux Falls, S. Dak., and Manilla, Iowa, with connections to Chicago, "unduly burden interstate commerce" and should be removed. Both trains averaged some 40 coach and Pullman passengers per trip in 1964 and produced an out-of-pocket loss of \$188,000. But it wasn't until last March when the Post Office Department removed mail worth approximately \$102,000 annually in revenues, that the Milwaukee Road acted to drop the runs.

Currently, the Atlantic Coast Line Railroad is earmarking four pairs of local trains for extinction because of lost mail. For the same reason, the Chicago, Burlington & Quincy Railroad has announced discontinuance of a pair of trains running through Wyoming, and the Louisville & Nashville is proposing to drop a pair operating between Atlanta and Evansville, Ind. The Chesapeake & Ohio-Baltimore & Ohio is considering canceling its night express between Detroit and Cincinnati; spokesmen contend mail losses since last May jeopardize no less than 40 percent of the lines' 54 remaining intercity passenger trains.

For the year ended last June 30, the Post Office Department counts 61 passenger trains nationwide which lost their railway post office service, and railroad men say current experience indicates that some three-fourths of the affected trains will be discontinued because of the revenue loss. Only 25 mail-carrying trains were killed during the same period at the instigation of the operating carriers themselves because of poor passenger patronage alone. By contrast, between July 1, 1959, and June 30, 1964, the 225 railroad-initiated cancellations were more than double the railway post office operations eliminated by Post Office action.

PASSENGER CRISIS?

Intercity passenger trains now number less than 1,100 on all U.S. railroads, it's estimated, against some 3,400 as recently as the early 1950's; transportation experts chiefly blame the automobile for this nosedive. Recently the decline in passenger patronage has begun to level off, offering railroaders hope that many remaining trains could survive. But now, with the shift of mail from train to truck accelerating, the Association of American Railroads gloomily forecasts the doom of over two-thirds of existing runs should they lose mail revenues.

Just how much mail the passenger trains can expect to lose in coming years, postal officials won't predict. But other forecasts suggest a passenger service crisis is brewing.

"Ten years ago we had over 20,000 men working in railway post office (RPO) cars and today there are half that number," says Henry Anglini, administrative vice president of the United Federation of Postal Clerks. "In 2 years the figure will be down another 50 percent, and the way things are going, in 5 years there won't be any RPO service at all."

Loss of mail can be fatal to a train operation simply because mail represents the relatively profitable side of passenger service. There's no separate tally on profit from mail alone. But last year combined railroad mail revenues equaled \$329 million against passenger revenues of \$578 million, and the cost for hauling humans was obviously far higher than for sacks of mail. Though down in recent years, the mail revenues in 1964 were \$22 million above a decade earlier and this income is chiefly credited for holding the year's total passenger deficit to \$410 million.

"FALLING DOMINOES" EFFECT

Even a modest reduction in trains traceable to mail losses can cause a "falling dominoes" effect as cancellation of one passenger run cuts into revenues on a connecting line.

A case in point: Trains 94 and 95 formerly operated over the Chicago & Eastern Illinois and Louisville & Nashville lines between Atlanta and Chicago. Last August the C. & E.I. discontinued its portion of the run between Chicago and Evansville, Ind., when the mail carried was shifted to piggyback service. The L. & N.'s 94-95 operation immediately suffered a "substantial" mail loss and the southern carrier now is seeking discontinuance of its trains too. "It's a chain reaction," says an L. & N. passenger official, "and once it begins, it's impossible to stop."

There is a strong suggestion, moreover, that more than a few trains will be affected by the realignment of mail distribution now going on under Post Office ZIP code planning. The concept of sorting mail aboard trains for distribution

to towns along the line is giving way to sorting at sectional postal centers from which the mail goes out to satellite post offices. Because many of the 553 sectional centers are located in suburban areas to reflect post-World War II population shifts, the most efficient routes between them, ZIP planners maintain, are highways rather than railines linking older downtown areas.

Currently some railroads are feeling the impact of a wave of mail cancellations that began building earlier this year as use of the sectional centers expanded. Especially hard hit is the C. & O.-B. & O. system which seeks to lure passengers with midweek fare reductions, \$1 dining-car meals and movies on trains. Since May, it has lost postal business worth \$975,000 annually. This amounts to less than 8 percent of the system's total mail revenues, but Passenger Service Director Paul Reistrup figures some 40 percent of C. & O.-B. & O. intercity passenger trains are imperiled by the loss.

It's true that many trains affected by Post Office action mainly served mail needs and attracted few riders with their slow, off-hours schedules. Lately, though, this has been less true. The C. & O.-B. & O.'s night express between Detroit and Cincinnati with southern connections, for example, has a high seat occupancy in the two modern coaches it usually carries and formerly turned a small profit on its yearly gross of \$1 million. But since it lost one of the RPO cars a few months ago, the train is operating at a \$150,000 yearly loss and is being considered for possible cancellation.

"NOTHING MORE CONVENIENT"

A pair of trains running between Montgomery, Ala., and Waycross, Ga., marked for discontinuance by the Atlantic Coast Line because of lost mail, actually have posted a 25-percent gain in passenger revenues since the beginning of this year. The reason: Inauguration of a Montgomery-New York through coach which couples onto the ACL's crack East Coast Champion at Waycross. One recent user of this service was Mrs. W. G. Sellers, Sr., wife of a Ramer, Ala., pulpwood dealer who made an 8-day train excursion with 10 other women to see the New York World's Fair and Broadway shows. "We got on in Ramer and we got off in Ramer and we all sat together," says Mrs. Sellers. "Nothing could be more convenient than that."

Travelers with a penchant for trains aren't the only ones facing inconvenience. In Torrington, Wyo., Mrs. Clarence L. Ward worries about the effect of an announced ending of a pair of Burlington trains on the chick hatchery she operates.

"Normally we mail out 25,000 chicks a year and most of them travel north on that rail line to the Big Horn Basin," Mrs. Ward says, "The rail cars were heated but the trucks that replaced them aren't and with the severe weather we have here, the chicks would freeze to death. It looks as though we're going to lose a lot of business."

LATE NEWSPAPERS

In Live Oak, Fla., RPO service removed last July used to allow business firms until 9 p.m. to get to the post office with outbound mail. "Now we have to get to the post office by 5:30 p.m. to catch the truck," complains Louis Wadsworth, owner of the weekly Suwannee Democrat. To meet the changed schedule, Mr. Wadsworth says he is paying an extra \$50 weekly in overtime wages to rush the Wednesday printing of his paper. Even so, the publisher adds, nearly all his 3,100 subscribers formerly got their copies Friday, but "at least 25 percent are getting them the following Monday now and some as late as Tuesday."

Such hinterland complaints thus far have stirred little response in Washington, perhaps because much of the inconvenience affects rural areas with relatively sparse populations. It's true Democratic Senator Gale McGee of Wyoming, whose State faces drastic RPO curtailment, has introduced a bill that would establish a commission to study the sectional postal centers' impact on railroad service. But a Senate staff man confides there's little congressional interest in the topic, "because the Post Office has been pretty persuasive in winning people over to its side."

[From the May 1966 issue of *Union Postal Clerk and Postal Transport Journal*]

WHAT'S WRONG WITH "MR. ZIP?"

(By Hank Greenberg, president, Florida Postal Editors Association)

There has been so much information and misinformation written concerning the zoning improvement program in the past few years that this writer feels the

federation membership is entitled to an objective article incorporating the thoughts of all areas concerned.

The basics concerning this five-digit system is known to all of us; we are aware of the intent of the Department and we also should be aware of the unions' position. It is unfortunate that the claims made by the Post Office for its new zoning procedure are claims that could possibly be applied at a future date, but not at the present time. But the Department insists on misleading the general public in believing that these improvements are upon us now. That ZIP coding will lessen damage to parcels: that ZIP coding will speed your mail, etc. Future plans within the Post Office indicate that this is true, when and if the address reading machines along with other improvements in automating present procedures work out as the Department hopes. But they are not true now.

The unions claim that millions have been spent in promoting the ZIP code. The Department says: "The cost of direct advertising to the Department was zero." The unions claim losses of jobs. The Postmaster General says employees will be released for more challenging work. The Department also claims it will save one hundred million dollars a year after the program is fully implemented. I won't argue with that statement but have observed that the savings claimed by the Post Office Department in the past 10 years on each new program should have eliminated the national debt.

Business mailings make up 75 percent of the 38 billion pieces of first-class mail and 99 percent of all second-class mail. Since the inception of the ZIP code on July 1, 1963, the Post Office has attempted to get large and small business mailers to voluntarily convert their address lists. The cost to many mailers would be enormous. Many mailers have responded willingly in hopes of keeping postage rates down. Others find themselves doing the work of the Post Office and feel this is an infringement by the Federal Government on their rights.

The legislative director of the United Federation of Postal Clerks, Patrick J. Nilan, testified before a congressional committee that 42 percent of the distribution of mail will be presorted by private concerns. Also that the present delay to mail delivery is caused by the sectional centers, which was first attempted in 1840.

The unions oppose the increased trucking of mail and the decrease in the use of the trains for transporting mail. The Department claims that the decline in the number of trains from 10,000 in 1930 to 1,100 today has caused the need for re-evaluation of our transportation procedures, and the need for sectional centers.

The unions claim that business concerns are resisting the program. The Department claims that better than 89 percent of the 84,000 firms contacted were participating in the ZIP code program.

In summing up, this writer would like to make the following observations: If the Post Office Department had contacted the private mailers before publicly inaugurating the ZIP program, gained their support, worked with them and, most important, had offset the cost of conversion, there would be no need today for legislation to force these business firms to comply with this program. It would have been worth it for the Post Office to pay part of the cost of converting address plates. They could have saved years of delay and received much less adverse criticism from the business firms.

The unions are entirely correct in opposing any program that will adversely affect their members and work a hardship on the employes they represent. The unions were created to protect the jobs of their members and to voluntarily accept any program that will bring financial or physical harm to their members is to violate the basic reason they were created for.

The Congress must decide if it is within the legal framework of the Constitution of the United States for the Post Office Department to assign duties and responsibilities of the Federal Government to private business.

The Post Office Department is obligated to the American citizen to attempt any worthwhile program that will save taxpayer dollars.

If private business voluntarily complies with converting their mailing lists to ZIP code, 75 percent of all first-class mail would be handled by machines and there would be no need for individual citizens to utilize the program at all.

The Department must assure the unions who represent the employes, that they will not lose their jobs. Not with words, but through specific programs and consultation with the employee organizations through each and every step of automation.

In the words of President Roy Hallbeck of the United Federation of Postal Clerks, "No program by the Post Office Department takes the employee into consideration."

(Editor's note: The information in this article was obtained from the following sources: Office of the Postmaster General, Information Service, Post Office Department, UFPC National Office, magazine and newspaper articles.)

Mr. NILAN. Finally, Mr. Chairman, we urge this committee and the Congress, and I say again, request the Post Office Department to immediately stop any further phaseout of the Texarkana mail facility and maintain at least the present mail operations to be performed by the employees still assigned to that mail facility.

Off the record, we had a meeting arranged yesterday morning with Mr. Desautels, Assistant to the Deputy Postmaster General, at 10 o'clock, at which time Mr. Salisbury and Mr. Anglin, and myself hoped to persuade Mr. Desautels to persuade the Postmaster General to rescind, or at least postpone indefinitely, the final phaseout of Texarkana. Unfortunately, after we met with Mr. Desautels for a few minutes he was called by the Postmaster General and we waited around for about 45 minutes and he was unable to return to our meeting. He did mention to his secretary that he would try to meet with us before Mr. Salisbury had to leave Washington, and he would call us.

Unfortunately, as of the time we came over here this morning, we have not had any further contact with Mr. Desautels. We are hoping it will come but, unfortunately, Mr. Salisbury will have to leave this evening or early tomorrow morning and it will be regrettable if the Post Office Department in this instance is unable to give us at least an adequate opportunity to make final recommendations on the part of the Texarkana mail facility. It is discouraging to try to work with the Department in this area and then, at least up until now, have no opportunity to really present our final case in this regard.

Mr. OLSEN. Well, let me say that we have representatives from the Post Office Department here, and one, Mr. Jim Farley, is particularly concerned with the ZIP program. I am sure that he will do the best he can to arrange for Mr. Salisbury to meet with Mr. Desautels or some other representative of the Post Office Department this afternoon before Mr. Salisbury has to leave.

Mr. NILAN. We certainly appreciate that, Mr. Chairman.

Mr. OLSEN. Mr. Farley is in the audience, and I know he will be glad to perform that chore.

Mr. NILAN. Thank you, Mr. Chairman.

We do know that Mr. Desautels and all the Department officials are very busy; we don't question that at all.

Further, we urge this committee to expeditiously recommend to the Congress the approval of H.R. 9551 and urge its enactment into law prior to the adjournment of the 89th Congress.

Thank you, Mr. Chairman, and members of the committee, for your patience and understanding in giving us this additional opportunity to present our views on this most important question before this distinguished committee.

We will be most happy to respond to any questions or provide any additional information the committee may desire.

Now, as requested in the first part of our statement, we would appreciate an opportunity for Mr. Archie Salisbury, president of local 578 of Texarkana, Ark.-Tex., at this time to present his statement to the committee, if this is your wish, Mr. Chairman.

Mr. OLSEN. Thank you very much, Mr. Nilan. We certainly appreciate your coming to the committee. We always have. Your very good and clear statement is very much in keeping with the facts.

Thank you very much.

Now we are very happy to hear from Mr. Salisbury.

Mr. SALISBURY. Thank you, Mr. Chairman.

My name is Archie Salisbury, president of local 578, United Federation of Postal Clerks, Texarkana, Ark.-Tex., and I appreciate the opportunity to again testify before this committee with our national officers, Patrick J. Niland and Henry T. Anglin.

On May 11, 1965, myself and Billy H. Hubbard appeared before the Subcommittee on Postal Facilities and Modernization, with Legislative Director Patrick J. Niland and Administrative Vice President Henry T. Anglin of our Washington office of the United Federation of Postal Clerks, to make the committee aware of the Post Office Department's plan to close the Texarkana mail terminal and other postal installations because of bulk mailer compliance with ZIP code.

During this appearance, we expressed our fears that these proposed closings would cause many hardships on those of us employees directly affected. We also explained to this committee that the mail-handling operations at Texarkana were compatible with the Post Office Department's programs of ZIP code and sectional center mail distribution.

We explained that our installation had undergone remodeling in mail-handling methods and that a great deal of money had been spent in modernizing the building.

As a result of our joint appearance before this committee, Chairman Arnold Olsen and the committee members met in executive session, and by a motion made and adopted unanimously, the subcommittee voted to request the Postmaster General to discontinue all actions aimed at phasing out the Texarkana mail terminal in particular and all other such mail terminals until the subcommittee had had the opportunity to study and explore all aspects of that particular policy.

In his reply, dated May 14, 1965, former Postmaster Gronouski flatly rejected the committee's request.

On June 2, 1965, Chairman Arnold Olsen sent Mr. William Irvine and Miss Patricia Carroll, as representatives of this subcommittee, to Texarkana for the purpose of holding a staff conference with all interested parties, including UFPC Administrative Vice President Henry T. Anglin and National Vice President Shelby Owens, and to inspect the mail terminal facility itself.

Mr. Irvine and Miss Carroll heard from many people, from a postal clerk's wife to the president of the chamber of commerce and many businessmen of our city. Without exception, all felt that the proposed closing of our terminal was not justified and that such action was premature and certainly should not be taken before the ZIP code program had proven itself. In the face of overwhelming opposition from congressional representatives, postal employees and their union, and the citizens of Texarkana, the Post Office Department has continued their phaseout program.

This program, as we predicted on May 11, 1965, has brought many hardships on the employees directly affected. As a direct result of the phaseout, two Texarkana mail terminal clerks have suffered nervous breakdowns. Each of the clerks spent over 2 months in the hospital. The illness of one of these clerks was due to worry over losing his home which was paid for and of having to leave Texarkana. The other clerk who had already been arbitrarily reassigned to

Houston, Tex., suffered his illness over the family separation brought on by his arbitrary reassignment as a result of the phaseout program. His wife simply refused to move to Houston.

Almost without exception, every employee who has sold his home, in leaving or making preparations to leave due to the phaseout, has had to sell his home at a loss. One employee lost \$2,500 in disposing of his home, plus he had to spend over \$800 of his \$1,000 life savings to get started again at his new duty station; one employee lost \$2,000 on his home; another lost \$1,750; another lost \$750; another, \$500. This is representative of the loss the postal employees are suffering for the sake of an unproven program.

There have been some employees who have simply given away their equity so that they would be able to buy another home when they arrived at their new duty station. Family separations have resulted and more will result as the phaseout progresses. Some employees who have already been reassigned have had to spend the bulk of their savings in order to make another start.

Some employees chose to resign the postal service rather than leave Texarkana; some resigned after they were arbitrarily reassigned to their new duty stations for various reasons; but, at any rate, their civil service careers were ended as a direct result of the phaseout program.

To attempt to justify the phaseout of the Texarkana mail terminal, Post Office Department officials have told inquiring parties that:

The retention of the now existing work force at Texarkana could not be justified in view of the reduced workload that is now being experienced and the additional reduction that will be realized in the near future.

This statement was made by Assistant Postmaster General W. M. McMillan in a letter dated August 19, 1965, which was addressed to Senator John L. McClellan of Arkansas. To our knowledge, the only reduced workload at the Texarkana mail terminal came about by mail being deliberately diverted away from Texarkana.

On September 28, 1965, the Post Office Department deliberately diverted the Birmingham mailcars away from Texarkana and rerouted them to Fort Worth, Tex. Prior to this action, the Birmingham mailcars were being received in Texarkana from the southeastern part of the United States via Birmingham, Ala., and Shreveport, La., and these mailcars were unloaded at Texarkana and the mail distributed, separated, and, in many cases, dispatched before the scheduled arrival time of the mailcars in Fort Worth, after they were diverted from Texarkana.

After these mailcars arrive and are unloaded in Fort Worth, about 75 percent of the mail has to be back-hauled toward Texarkana. This deliberate diversion came about the same time that the first employees were being arbitrarily reassigned from Texarkana.

This deliberate diversion of mail still did not reduce the workload sufficiently to allow mail to be worked without piling up, after some employees had been arbitrarily reassigned. Therefore, the Post Office Department ordered the Chicago postal region (Illinois and Michigan), and the Memphis postal region (Tennessee, Kentucky, and Mississippi), to label all Texas working circulars and ordinary papers to Fort Worth, Tex., instead of to the Texarkana mail terminal, as was being done previously.

In addition, the Chicago region now labels all parcel post to Fort Worth, Tex., instead of to the Texarkana mail terminal. It would have seemed reasonable at this point for the Post Office Department to have returned all the postal employees to Texarkana that had been arbitrarily reassigned in order to work the mail being received.

This action was still not enough, as more mail was being received than could be worked with the arbitrarily reduced work force, so that the Post Office Department authorized local management to divert mail away from Texarkana after it arrived. Armed with this authorization, local management deliberately diverted 14 boxcars of mail to Fort Worth, Tex., and 11 boxcars of mail to Dallas, Tex., between the dates of September 30, 1965, and October 12, 1965.

With the workload still not reduced enough to compensate for the already arbitrarily reassigned employees, local management, in addition to all other diversions of mail, deliberately loaded over 12,000 sacks of mixed unworked Texas circulars onto trucks and shipped them to Dallas and Fort Worth, Tex., between the dates of October 15, 1965, and the present time. This type diversion of mail is continuing on an almost daily basis as local management still finds it necessary to ship excess mixed unworked Texas circulars to Fort Worth and Dallas, Tex.

It should be remembered at this point that the Post Office Department has stated that mailer compliance with ZIP code and presorting of their mail would reduce the volume of mail coming into Texarkana, thereby causing a necessary reduction in the work force. ZIP code and presorting may have reduced the mail volume coming into Texarkana to some extent, but you can see that deliberate diversion of mail is the main cause for any reduction of mail volume at the Texarkana mail terminal.

On April 11, 1966, Mr. John D. Swygert, Director, Installations and Management Branch of the Post Office Department, came to Texarkana and advised us of further steps in the phaseout of our terminal. One of these steps included a further diversion of mail from Texarkana. This deliberate diversion of mail away from Texarkana cannot be attributed to mailer compliance with ZIP code and yet the Post Office Department still plans to phase out the Texarkana mail terminal. Why? Only the good Lord and the Post Office Department know the answer.

If the reduction in volume of mail being received at the Texarkana mail terminal could be attributed to mailer compliance with the ZIP code program and the presorting of their mail for sectional center distribution, then the Post Office Department would be justified in arbitrarily reassigning employees to other locations, and we could have no complaint.

As has already been pointed out, the only reduction in volume of mail that we are fully aware of is the deliberate diversion of mail away from Texarkana, and this certainly has no relation to the ZIP code or sectional center concept of mail distribution and it seems that the employees of the Texarkana post office and mail terminal are going to have to continue to suffer severe inequities with ZIP code getting the blame.

During Mr. Swygert's visit to Texarkana on April 11, he also advised us that the Post Office Department would make no further arbitrary reassignment of employees from Texarkana until July 15,

1966, at which time 20 postal employees would be arbitrarily reassigned to the offices already selected by them.

We were also advised that 20 employees would also be arbitrarily reassigned on each of the following dates: August 12, September 23, and October 21. These arbitrary reassignments will be made in addition to any employees who might elect to be reassigned earlier than his scheduled date.

Due to the fear that this phaseout will not be stopped, many employees have already volunteered to be reassigned and we have had many employees already leave Texarkana voluntarily for the same reason. Many feel that even though the phaseout of the Texarkana mail terminal may be halted that the Post Office Department will attempt to close it again on a later date and they would rather move than to continue to worry about it, but, on the other hand, the majority of our postal employees feel that the Texarkana mail terminal can always be a useful and integral part of the operations of the Post Office Department.

Since about January 1965, to the present time, our mail terminal and post office has lost a total of 169 employees through reassignment—voluntary and arbitrary—retirement, death, and resignations. As of April 11, 1966, there still remains 156 postal employees that are due to be arbitrarily reassigned from Texarkana to other offices.

This figure includes 109 regular clerks, 6 substitute clerks, 24 regular mail handlers, 1 substitute mail handler, 8 maintenance employees, and 8 supervisors.

We were also advised by Mr. Swygert that upon completion of the arbitrary reassignments of employees from Texarkana and the closing of the Texarkana mail terminal that the Post Office Department would end their phaseout program. I take this to mean that no other post office in the United States will have to fear being next to be phased out, because there will be no further phaseouts.

Two other mail terminals have already been closed as a result of the phaseout program and they are Ogden, Utah, on November 15, 1965, and Council Bluffs, Iowa, on January 15, 1966. However, the adverse effect on the employees in Ogden, Utah, was practically eliminated because they did not have to sell their homes or move from Ogden as they were given jobs at Hill Air Force Base in Ogden. Those employees, who wanted to, were reassigned to other offices, and were paid moving and other expenses according to regulations.

The mail terminal employees in Council Bluffs, likewise, did not have to move from their homes as all those who wanted to remain were given jobs in the Omaha, Nebr., post office, which is just across the Missouri River from Council Bluffs, Iowa. Our source of information advised us that none of these employees were arbitrarily reassigned to other offices, but those who chose to were permitted to continue on to the place that they wanted to be reassigned to.

These facts stand out in the closing of the terminals in Ogden, Utah, and Council Bluffs, Iowa: No employee was forced to move or was arbitrarily reassigned to another location; the employees of the Texarkana mail terminal and post office are the only employees at this time—affected by the phaseout program—that will be arbitrarily reassigned. Even the Post Office Department recognizes that the Texarkana mail terminal and post office is the only facility where mass arbitrary reassignment of postal employees have and will be made.

This was acknowledged to be true by Mr. Swygert during his visit to Texarkana on April 11.

The phaseout of the Springfield, Mass., mail facility, Postmaster General O'Brien's hometown, consisted of the elimination of only 28 jobs. Instead of having a complement of 550 clerks, they now have a complement of 522 clerks, and the 28 clerks declared excess were offered other postal jobs in other crafts within the Springfield post office, and so, even the 28 clerks at that office did not have to leave their homes, friends, families, and loved ones. This serves to amplify the fact even more that the Texarkana postal facility is the only installation where employees are unjustly being reassigned.

If the Texarkana mail terminal is finally closed, the postal employees will not be the only ones affected. About 190 railroad employees employed by the Union Trust will be without a job of any kind. This does not speak well for the antipoverty program when unemployment is deliberately forced upon a community such as will result from the phaseout of the Texarkana mail terminal.

We are not opposing ZIP code, as such. We just say that the mail-handling operations at Texarkana are compatible with this program and we do not believe that the phaseout is in the best interest of the service and certainly not in the best interest of those of us directly affected.

There will always be mailers that cannot afford to ZIP code their mail, and this is the mail that we can work in Texarkana, and also mailers who have an insufficient quantity of mail to presort will have to send it to some point for separation and distribution, and such mail for the State of Texas could be sent to the Texarkana mail terminal for the needed distribution.

As another alternative, the Post Office Department could convert the Texarkana postal operations into a parcel post distributing point, since mailers are not required to ZIP code parcel post, or a point for mass distribution of large volumes of first-class mail.

There are several things the Post Office Department could do to keep the Texarkana mail terminal open, rather than to heap hardships upon sincere, dedicated, employees by arbitrarily reassigning them to other places: They could even let the mail terminal be closed by attrition, if it must be closed, which would guarantee the remaining 156 excess postal employees at Texarkana that they would not be forced to leave their friends, homes, and families.

These are some of the ways and means that we offer as reasonable solutions to our critical problem in Texarkana, and so, Mr. Chairman, I respectfully request that your committee prevail upon the Postmaster General to cease the actions now being taken to phaseout the Texarkana mail terminal until a thorough investigation can be made by this committee to determine the necessity and validity of closing an installation the size of the Texarkana mail terminal which will cause families to separate, a forced exodus from our home community, tremendous financial losses, and numerous other inequities.

I sincerely appreciate the time you have given us, and I hope you have found merit in our case and that you will assist us in keeping our mail terminal open.

Thank you, Mr. Chairman.

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

We certainly appreciate the time and expense that you and your people have gone to in presenting your views. I want to assure you that we are going to do everything we can to impress upon the Postmaster General the necessity to extend the life of the Texarkana mail terminal. You will be hearing more from us on this subject.

Mr. NILAN. Thank you, sir.

Mr. OLSEN. Thank you, Mr. Nilan.

Mr. NILAN. Thank you, Mr. Chairman.

Mr. OLSEN. Our next witness is Mr. Joseph H. Fitzpatrick, Jr., executive director, Mail Advertising Service Association. He is accompanied by Mr. Lee Epstein, president, Mailmen, Inc., Syosset, N. Y.

We are very happy to hear from you, Mr. Fitzpatrick, and Mr. Epstein. Please proceed in whatever order you wish.

STATEMENT OF JOSEPH H. FITZPATRICK, JR., EXECUTIVE DIRECTOR, MAIL ADVERTISING SERVICE ASSOCIATION INTERNATIONAL, INC.; ACCOMPANIED BY LEE EPSTEIN, PRESIDENT, MAILMEN, INC.

Mr. FITZPATRICK. Thank you, Mr. Chairman.

I am the executive director of the Mail Advertising Service Association International, Inc. Mr. Epstein is a director of the association, and is here and will answer any questions which might be raised.

Mr. Chairman, the Mail Advertising Service Association International, Inc., has a membership of more than 500 companies.

It is important to point out to this committee that MASA is basically a trade association of small companies with a few large companies—businessmen who do not, for the most part, have unlimited resources—who, in fact, continuously face the problem of limited capital.

Eighty-one percent of our members have annual sales of less than \$250,000. Certainly, you will agree that these are small businesses.

Computers are not a part of their facilities. Magnetic tape is something they hear discussed, yet only dream about as a part of their business life.

Our members react slowly to change. This is normal where the business is generally a sole proprietorship or a two-man partnership. Change usually means a cash investment and cash is generally limited, very limited, in a small company.

The lettershops which comprise a major percentage of our industry do not have a staff of experts on their payroll. The owner is all things to his company. He is the policymaker, financial expert, sales manager, production manager, personnel director, and postal expert—all crammed into one human being.

He wants everything as simple and easy to understand as he can possibly get it. This is particularly true in the case of postal regulations. The language must be clear and concise.

More important, he must have confidence that his post office officials are completely familiar with postal regulations which directly affect his daily operations. A recent survey of our members on the compulsory January 1, 1967, ZIP code order shows that a fairly large percentage of our members don't understand the complicated system.

The small businessman doesn't want trouble. He wants to comply with the regulations governing his operations. He also wants to be able to continue in business—to continue to make a profit—to continue to be able to employ his small work force.

More and more of his time is being spent on procedures and forms of a regulatory nature. He begins to wonder if this country wants to allow an enterprising and ambitious individual to have the opportunity to have his own little business.

Now he comes face to face with mandatory ZIP code. He is told that he must have all of his lists ZIP coded by January 1, 1967. In addition, he is told that he must perform countless sacking and sorting operations that are presently done by experienced postal clerks. It doesn't matter that this additional work is going to cost him money. He can pay additional \$11.25 per thousand postage and send his mail at the third-class rate. All he need do is sell his customers on the additional 39 percent postage bill.

These small mailing shops are not doing business with giant corporations. Their customers are retail merchants who are also small businessmen. Any increased mailing costs make the small merchant attempt to justify the added burden.

Our members are in the mailing business. Any Federal regulations which increase their costs are of vital concern.

On February 23, 1966, the MASA mailed a survey form to its 528 members in the United States. We received replies from 168 companies, a 31.8-percent return. This is a high return for any survey, especially for one that requires more than checking boxes or giving "yes" or "no" responses.

I have provided copies of the survey for each member of this committee so you can see the questions we asked. We covered three areas—list conversion, sectional center sorting, and hardship cases.

Under list conversion, we asked:

- (1) Number of names you maintain in your shop.
- (2) Number of names that will be ZIP coded by 1967.
- (3) Number of names that will be ZIP coded after 1967.
- (4) Number of names that cannot be ZIP coded.

We also asked the member to give reason why he could not ZIP. The replies to these questions produced these figures:

Total names maintained by the 168 companies is 67,633,000.

Total additional names ZIP coded after 1967 is 14,226,000.

Total names that will not be ZIP coded is 11,087,000.

This total, 11,087,000, is approximately 16½ percent of the 67,633,000 names.

With your kind indulgence, I shall read a few of the respondents' reasons why they cannot ZIP code.

We have these done in handwriting and I hope you will forgive me as I try to go through them.

One man says—this is a company in Milwaukee, Wis.—

We maintain customer lists and cannot ZIP code without charge. If the customer refuses to pay the charge, no ZIP code. I am in doubt about the post office's free offer.

Another company in Philadelphia, Pa.:

It is a rather large undertaking to look up ZIP numbers, to make new or correct stencils and plates, and to presort per the ZIP. I require more time even though this shop has been steadily working on this ever since the order came.

Here is another one from Chicago, Ill.:

Customers refuse to pay for the work; they prefer to mail first class.

A company in Detroit, Mich.:

Our names are updated annually from the telephone books which do not show the ZIP numbers.

Another company in Chicago, Ill.:

No doubt there will be some which cannot be associated with a post office or something like that.

"Something like that" simply indicates to us that he does not even understand the problem.

Another company in Philadelphia says:

Small groups of lists, 6,000 or under, where the customer mails regular first-, third-, or regular-class at all times.

We could go on and on, but these are indicative of some of the problems that are being faced by our members.

Under sectional center sorting, we asked:

- (1) Do you understand these requirements?
- (2) Can you comply with these requirements?
- (3) In your opinion, what are the problems you will face in 1967 in complying with sectional center sorting requirements?

A majority of companies, 54 percent, said they understand the requirements. A number of the companies, 38 percent, said they cannot comply with the compulsory requirements. One point should be made. Even the companies who said they could comply listed some problems which they will encounter in complying with the mandatory ZIP coding. Let me read a few of the replies.

A company in Oklahoma City, Okla., says:

Our mail goes direct by either truck or parcel post to the post office in question.

Here is a man from Washington, D.C., who said that he does not understand the requirements. He says his largest customers say they will shift to the first-class mail, probably. Comparatively little bulk third now.

Chicago, Ill.: A company does not understand the problem and says they cannot comply.

The names maintained are grouped by dealers. If names are filed by sectional centers, this servicing by dealers is impossible.

A company in St. Joseph, Mich., says he does not understand the requirements.

Eighty percent of our names are the property of three industrial accounts, not the same companies. These addressing plates, Speedamat, are filed alphabetically-geographically by salesman territory which means we may hit one State four or five times because of area assignment. These companies have between them nine classifications of lists plus those filed by distributors. What a mess to change to ZIP. I am not against ZIP; it is just not practical for small lists like I maintain from industrial accounts.

A company in Philadelphia says they understand the requirements but they can't comply with the requirements.

The main problem is getting the ZIP coding done.

In Los Angeles, Calif., our member says that he does not understand the requirements and he can't comply, but he notes here:

But I will have to—too many breakdowns in divisions for our caliber of help to understand. Sorting and filing costs will skyrocket.

Another one in Urbana, Ill., says:

We cannot comply with one-time mailing lists with no ZIP on them, the rest in groups of about 2,000 to 5,000 on a nationwide group. We would have to know all of the towns in the country and their sectional centers.

Again, these are just a few of the statements that we have from our members telling us of the various problems that they expect to encounter.

Now, under hardship cases, we asked: The Post Office Department will be ruling on hardship exemptions for 1967. If you feel that your situation warrants an exemption, would you please detail the nature of your problems and why you feel that you should be exempt?

Again we go to the results of the survey.

Oklahoma City, Okla.:

Our list is not static, using several different methods. Our lists are kept 98 percent accurate with an average 5 to 10 percent change each month. The cost of ZIP coding all those changes regularly each month, plus our \$50,000 conversion cost, represents a real financial hardship.

Milwaukee, Wis.:

We have a communication problem. They are trying to have their clients use first-class mail and stay away from the ZIP codes. We are adding ZIP codes one by one, and probably sometime will be able to comply.

Another company in Illinois:

The one-time use of names, the people will not include their ZIP numbers on their addresses.

The company in Omaha, Nebr., says that—

It is impossible to ZIP code all of the lists in the time allotted.

In Swissvale, Pa., which is a suburb of Pittsburgh, I believe:

The cost of ZIP coding all occupant labels would cost enough to put me out of the occupant addressing business which is only a part of my business.

In Chicago:

Not enough personnel and time to accomplish this monumental job. Afraid it might put some people in a bad position with other additional changes in the mail business.

Here is a man in Detroit, Mich., who says:

I understand the hardship fees are not transferable. Even if I get an exemption, I could not rent my list to others unless they, too, will be granted exemptions. The lists are rented too infrequently to justify the cost of ZIP coding.

San Jose, Calif.:

Large direct mail lists will want to wait until their last mailings of the year. Also, some of the smaller lists are working on a small budget and must wait until money is available.

In the Bronx, N.Y.:

Because of the new rulings, we are not actively soliciting new mail accounts. There will be a substantial loss of typing orders as few directories will have ZIP codes and small mailers cannot afford to look up the ZIP in that directory.

I will only go through a few more because we have about 60 and I know you don't care to have us go through each one.

Mr. OLSEN. Well, I would like them included in our official files.

Mr. FITZPATRICK. Fine. We will be happy to do that, Mr. Chairman.

Mr. OLSEN. Thank you very much.

Mr. FITZPATRICK. The members of our association have problems. They want to comply with the postal regulations. They are anxious to assure faster delivery of mail—to cooperate with the Post Office Department. However, they are also interested in staying in business. Our members have confidence in the Congress. They will not believe that the Congress is interested in progress that sacrifices the small business.

Through most of these replies, there appear to be three major problems: One, mailers are not certain that the post officials and employees with whom they come in contact understand the requirements; two, mailers just don't have the space to do the sorting that will be required; and three, the Post Office Department keeps changing the ZIP numbers in many cities.

There is another sad situation that seems to unfold in reading these replies: No one in Government seems to care about his plight.

I am amazed that these businessmen are so fatalistic. They have forgotten that their Representatives in the Congress of the United States are still making the laws and not the executive branch.

There was another point in reading the responses. None of the members expressed any rebellious attitude. The replies were sincere responses to tell us what they expected in 1967.

Assistant Postmaster General Nicholson, in his appearance before this committee on May 3 said, in effect, that none of the associations had been against the program. Please let me get our record straight. MASA issued a formal resolution to the Post Office which definitely did not approve the January 1, 1967, date. Our resolution emphasized a longer leadtime than proposed by the Department. We advised the then Postmaster General Gronouski of our objection to the January 1, 1967, deadline in a letter to him dated February 25, 1965.

In reading general release No. 55, dated Tuesday, May 3, 1966, from the Post Office Department, a statement by Mr. Nicholson on page 9 of this release confuses me. I quote from his statement:

We do not intend to open the floodgates to all who seek an extension. But at the same time we don't intend to become too inflexible in our interpretation of the regulations.

May I ask how there can be any uniformity of decisions when (1) no ground rules have been established, and (2) decisions will be made by the appropriate regional director, and again I quote Mr. Nicholson, "based on the circumstances of each case."

The replies to our survey came from companies in New York, Pennsylvania, New Jersey, Michigan, Oklahoma, Maryland, Rhode Island, California, Illinois, Massachusetts, Indiana, Texas, Ohio, Utah, Arizona, Nebraska, Louisiana, Oregon, South Carolina, and Wisconsin. This is a total of 20 States.

We have heard Congressman Krebs ask other association witnesses if they could give an estimate of how much it will cost companies in our industry to comply. How much will it increase operating costs?

I have talked with a few of our members about this increase in costs, but they give me a number of varied answers.

Some companies say that they would have to advise the customers to mail at the piece rate, and all they know is this would cause a loss in business for them.

We have prepared a photocopy of each of the 60 survey returns which have been brought here today. These copies have been given to the counsel of the committee so they might be available for any members of the committee who wish to read the replies. Although we did not bring the other 108 replies with us today, we can make them available if the committee so desires.

Thank you, Mr. Chairman.

I would like to introduce to this committee, Mr. Lee Epstein. He will not make a statement but will attempt to answer questions posed by the committee.

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

I think your points about the lack of leadtime given by the Post Office Department for mandatory ZIP coding by January 1, 1967, are very well taken. We have made some progress, though, and have agreed to have a meeting between mailers and the Post Office Department on the 19th of this month. Representatives of the committee and from our staff will be at that meeting. I want to encourage you to participate along with others in that discussion with Post Office Department people, because some ground rules certainly have to be made about what hardship is, what kind of extensions are going to be given, and certainly, what kind of exceptions are going to be given. Several of us visited Mailmen, Inc., last week and we know that some exceptions have to be made for the operation there.

Mr. CORBETT. I just have a couple of very brief questions.

Mr. OLSEN. Go ahead.

Mr. CORBETT. Mr Fitzpatrick, on the matter on which the chairman just talked about, establishing guidelines, obviously this has got to be done long before the ZIP code is made mandatory. Likewise, don't you agree that there has got to be some committee or someone who is nonpartisan and nonhostile to make the decisions as they fit into the guidelines?

If the decisionmaker is a great advocate of ZIP code, he is going to make pretty harsh decisions as to who gets a hardship discharge. Therefore, I see the need of a really impartial, objective committee to make the decisions.

Now, do you, from your responses, believe that if the date of mandatory ZIP coding were pushed back, that the majority of your members would be able to comply without great difficulty?

Mr. FITZPATRICK. In general, Mr. Corbett; yes. It is our opinion that, as we stated this morning, we react slowly to the change. He has limited resources. The normal 20-percent turnover in his lists, if he had the time to take care of it, would probably mean that he could do this at a much slower basis. If he has to go out right now and change all of his lists at one time in order to comply right now, he does not have the wherewithal to do it. If he has the time, he can probably shift some of this personnel on various occasions and do it.

Mr. CORBETT. Now, the Department tries to answer: "Well, there will always be this business," or "We will give it 6 more months, 12," and so on.

Do you feel that the vast majority of your members are trying to get themselves in shape to comply with the ZIP coding regulations?

Mr. FITZPATRICK. Yes. The main point here, Mr. Corbett, that we have gotten from these is that most people just don't understand the regulations.

Mr. CORBETT. They are hampered, are they not, by the fact that the ZIP code numbers have not been frozen?

Mr. FITZPATRICK. That is one big problem.

Mr. CORBETT. So that has to happen. We have to have the guidelines pretty well established with quasi-courts to make the decisions.

Mr. FITZPATRICK. That is right.

Mr. CORBETT. And then some modification of the date.

Mr. FITZPATRICK. The problem right now, as you see, is that the regional directors are going to make the judgments and then, apparently, although we have not been officially notified, the MTAC tells us that Mr. Ed Riley will be the adjudicator.

So, although we never knew this until that meeting, it was brought forth that if we don't like what the regional director says, then we can appeal to Mr. Riley and the Post Office Department.

Mr. OLSEN. He is a very nice guy but you still would like to have some guidelines.

Mr. FITZPATRICK. Yes. We still would like to know that someone else has had a say in setting the guidelines.

Mr. OLSEN. I think Mr. Riley is about as nice a fellow as you could go to for some decisions, but you ought to know soon what the guidelines are.

I have in mind, as Mr. Corbett has, that much of what is going to be going into the mail this time next year is being planned right now, so you have got to know the rules better than you know them now.

Mr. FITZPATRICK. Mr. Epstein can tell you better than I.

Mr. CORBETT. I concur in your remarks about Mr. Riley, but how is Mr. Riley going to make decisions if he does not have guidelines?

Mr. OLSEN. That is right. Thank you.

Now, Mr. Epstein has some really large problems, as we saw them in Syosset. He has the problem, first, that the people who are supplying the lists for his organization don't necessarily ZIP code. The list supplier may have a hardship exemption, but the Department does not say whether or not the hardship ruling extends to use of the list by somebody else.

Further, we noted that in the mailing we saw, which was of a million pieces from many mail lists from many different organizations, that some of the lists were ZIP coded and some were not.

We are sympathetic and know that you have a really unique situation. We don't know how unique, but we know that it is one that is also bothering the Post Office Department.

We also know that you have a space problem if you are going to have to sort and sack for 552 sectional centers, and I would like for you to speak on any one of those points for the record.

Mr. EPSTEIN. Thank you, sir.

I did not come prepared to make any statement but possibly to answer any questions which may develop as a result of the association testimony. We will be prepared, with your indulgence, to ask questions and make points at the proposed meeting of the 19th.

Mr. OLSEN. I anticipate being present at that meeting, and I am urging members to be with me there. Certainly members of our staff will be there. I want you to know that everybody on the committee who is familiar at all with this subject is sympathetic to your problem.

Mr. FITZPATRICK. Mr. Chairman, if I might, we are rather proud of the fact that our association has taken this stand because the directors of our association fall in that 10 percent of the larger companies. Every one of our directors is in the bigger companies, and they probably would be less affected in their membership, but I think that it is to their credit that they have considered the problem of the majority of their members and oppose this mandatory ZIP even though they, themselves, personally, would be less injured by it.

Mr. OLSEN. I would think the major leaders in your organization probably are ZIP coded, and would not be hurt, but they know that many of your mailers will be affected.

Mr. FITZPATRICK. That is right.

Mr. OLSEN. Now, I again wanted to say that we want you to get to that meeting on the 19th of May. We know you are an expert on the subject. Bring with you your associate, Manny Cohen. You make a good case, and I think the postal authorities will have to recognize it.

We saw how you are sacking mail for 50 States and doing a very fine job for the Post Office Department and for your clients. If you have to sack to 552 sectional centers, you are going to need a great deal more space and you ought to be advised now when this is going to be necessary.

You ought to be advised now whether or not you are going to get the postal sacks. There are a lot of things that ought to be ironed out now instead of, as the Post Office Department has announced, in November. I think the decisions have to be made now. I think my colleague from Pennsylvania agrees.

Mr. CORBETT. I agree quite fully.

You mentioned the matter of bags. How the Department is going to get enough bags in enough places, to keep them properly laundered and washed and move them around is a problem that just seems very, very difficult, and that is just one item. They need the baggage before they can start to work.

To me, from what little I know about ZIP coding, it looks like it might be a very fine idea, but it is going to require a lot of time to have everything ready to go. I just feel that the Department would be better advised rather than rushing around saying this is the date, to say: "Well, we are now ready, so the date will be thus and so." I don't think they are ready; I don't think enough of the industry is ready. We need to have a good idea of how well it functions from the beginning and whether it is acceptable to the industry and the recipients of the mail. We don't want to start off with somewhat of a bungle and a jungle, which it will be.

I am not going to be able to be here on the 19th, I just can't, but anyone can quote me to the effect that I think that this thing ought to be put in absolute shipshape before it is made functional.

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

Do you gentlemen have anything more to add?

Well, I think, then, we will adjourn until next week when we meet with the representatives of the Department.

Before we adjourn, however, I do have two statements for the record which we will insert at this point. One is the statement of the National Newspaper Association—

Mr. CORBETT. Without objection?

Mr. OLSEN. Without objection, if there isn't any, sir.

Mr. CORBETT. Is this for, or against, or what?

Mr. OLSEN. These people don't have to comply with the ZIP code, so they are in favor of it.

Mr. CORBETT. Is that in the statement?

Mr. OLSEN. I think you will find in the statement that they are very, very much in favor of ZIP coding the mail.

Mr. CORBETT. For other people?

Mr. OLSEN. We already know that they don't have to fully comply.

Mr. CORBETT. Is there any statement in there that they do not have to comply?

Mr. OLSEN. I don't know. I didn't read it. But I think we have made it abundantly clear that that is the rule of the Post Office Department.

Mr. CORBETT. Thank you. I will not object.

Mr. OLSEN. Without objection, it will be inserted in the record at this point along with a statement by William B. McGrew, on behalf of Sunset Magazine & Book Co., Menlo Park, Calif.

(The statements referred to follow:)

STATEMENT OF THE NATIONAL NEWSPAPER ASSOCIATION

Six thousand six hundred community weekly and daily newspapers in all 50 States make up the National Newspaper Association.

In anticipation of the subcommittee's hearings on implementation of ZIP codes by the Post Office Department, the National Newspaper Association has polled its members for their comments on:

(1) Mandatory ZIP coding by January 1, 1967;

(2) The mechanics of ZIP code and sectional center mailing, including (a) the individual newspaper's maintenance of its mailing list, and (b) the process of sorting, bundling, and sacking as required for full implementation of the system; and

(3) Experience to date in the actual delivery of newspapers under the sectional center system.

Members of the subcommittee are aware, of course, that small newspapers have very limited staffs. The mailing process, important as it is, must be fitted into a myriad of other tasks that the newspaper's owner and few employees perform. Complicated, expensive equipment for recordkeeping and mail handling is not practical. Therefore, for many newspapers, implementation of ZIP code and the sectional center system of mail distribution is occasioning major disruptions and very substantial new expense.

The association survey, however, indicates that the vast majority of NNA member newspapers will be able to meet the January 1, 1967, deadline for ZIP coding of mailing lists.

It should be pointed out that, contrary to testimony presented earlier in these hearings, newspapers enjoy now "carte blanche exemption." The exemption referred to is available equally to second- and third-class mailers, and relates only to mail bearing a simplified address and to that which is presorted to city, rural, or star routes, or to five-digit ZIP destinations. In short, ZIP numbers may be omitted from individual pieces only when their inclusion would make no contribution to actual mail distribution. Newspapers must comply with all other requirements of ZIP code mailing.

MAIL LISTS

While most newspapers will be fully ZIP coded by January 1, 1967, and many have already completed the process, there are some which at this time doubt that they can meet the deadline. Factors involved include lack of staff, difficulties in obtaining current ZIP directories, and access to equipment required in carrying out the coding. Lacking any criteria as to what will be considered as the basis for hardship exemptions, individual newspapers can only hope that they will be granted this consideration if they fail to meet the deadline.

Heretofore, newspapers have maintained their mailing lists on an alphabetical-geographical basis. That is, mailing plates have been grouped by city and State,

and alphabetized within each grouping. In order to presort mail according to ZIP number, alphabetizing by State will no longer be practical. As a result, compliance with this feature of the ZIP system will materially complicate the process of locating an individual mailing plate when it must be changed.

At the same time, newspapers have in the past been able to assemble their mailing lists according to postal zones, which facilitates periodic counting of the number of subscribers in each zone. This must be done so that the Post Office can calculate zone mail charges.

Again, the regrouping of subscribers by sectional center, to make possible ZIP presort, complicates the zone count. This problem will be minimized, however, if Congress adopts the parcel post bill now before the House Post Office Committee. The bill provides that zone charges for both second- and fourth-class mail be established according to sectional center boundaries. If passed, this measure would simplify all mail zoning.

MAIL SORTING

Publisher sorting, bundling, and sacking of mail is, of course, more demanding under ZIP code. This is one of the purposes of the new system—to shift more of the mail preparation to the mailer. For example, a daily newspaper in Pennsylvania reports that with the advent of sectional center mailing, "We need more than 2 additional man-hours in preparing and wrapping our mail each day." He noted also the need for more wrapping materials. Newspapers are required to make two additional new breakdowns of mail, to five-digit delivery units and to sectional centers.

SECTIONAL CENTER DELIVERY

Newspapers are meeting these problems as the new system is implemented, to the end that ZIP code can succeed. However, by far the most frequent complaint expressed in the association's survey relates directly to the quality of mail delivery. Based on months of experience with sectional center routing, publishers find all too often that delivery is taking longer than ever.

Because all mail addressed to points beyond the local post office delivery area must be funneled through the sectional center and then returned to outlying communities, the newspaper delivery problems arise principally in the areas just beyond the local post office area. The NNA survey brought forth comments on newspapers traveling "250 miles to get 30 miles," and "a trip of 120 miles to reach a community 16 miles away," and "300 miles to get 17."

As an Arkansas weekly publisher notes in his reply, "If all the connections are made on time and all the clerks are on time with their work, it will make it overnight. Of course, this is not always the case, so it is often delayed for at least 1 day."

A Wisconsin publisher writes, "It is too risky, so we drive the papers." This is the pattern developing all across the Nation. Many newspapers are, for the first time, hauling their bundles to nearby communities for entry into the mail there. Only in this way can they avoid having their newspapers travel to some distant sectional center before returning to their trade area.

These special hauls to nearby post offices constitute a new and significant expense to the newspapers finding this course necessary. It is an expense which the newspaper can assume will be a permanent one.

Repeatedly, publishers answering the association's inquiry report the full cooperation of their local post office personnel. But, as an Iowa daily publisher says, "Our contention is that the routing is inherently complicated and leads to missed deliveries." While the advantages of the ZIP code system for cross-country mailing are obvious, this comes at the sacrifice of past service provided just beyond the local post office delivery area. Most of the Nation's small newspapers depend on the postal system for this delivery "just beyond."

Despite the added work, the initial and continuing expense, and the instances of disrupted delivery service, NNA members indicate a general support of the ZIP code system. This support stems not from narrow economic considerations. Newspapers support the new system because it is the best answer to the monumental problem of delivering America's mail. As mail users, as mail receivers, as responsible citizens, newspapers want ZIP code to work.

Therefore, the National Newspaper Association supports the January 1, 1967, date for implementation of the program, recognizing, of course, the need for and the provision for hardship exemptions. The sooner ZIP can be implemented, the sooner its full benefits can be realized:

The association offers two recommendations:

(1) That the Post Office Department move up its announced November date for action on applications for hardship exemptions, to the end that those mail users unable to meet the January deadline can know earlier what their status will be after January 1; and

(2) That Congress pass the parcel post bill, or as a minimum that portion of the bill which provides for use of sectional center boundaries as postal zone boundaries.

STATEMENT OF WILLIAM B. MCGREW, ON BEHALF OF THE SUNSET MAGAZINE & BOOK CO., MENLO PARK, CALIF.

My name is William B. McGrew, and I am circulation director for Sunset magazine, a west coast magazine serving 8 Western States, and with more than 700,000 subscribers.

Since I testified before your committee in regard to ZIP code problems about a year ago, I feel obligated to bring you up to date on developments in our company since then. I wanted to appear in person before the committee to testify, but because of distance I am substituting this statement.

Before starting my statement I read over my testimony of a year ago, and I found it surprisingly applicable yet today despite the changes we have made in attempting to meet the ZIP code deadline. I want to speak about these changes.

First I will point out that we have made numerous studies of computers and service companies that have computers and are anxious to serve us. We have had meetings with IBM, Burroughs, Control Data, and Univac representatives. We have talked to representatives of at least six companies that want to serve us on a contract basis with their computers. So we have studied the problem from every angle.

As yet, from an economic standpoint it appears we cannot afford a computer large enough to do the job adequately for us. The small computers leave much to be desired and the larger ones are too costly. At least that is the analysis we have made. Although we lean toward using a service bureau, that is costly also and we don't like the many problems that choice presents.

So for the time being at least we have decided to stay with our Speedaumat metal plate system. I am referring only to the handling of our magazine under second-class mail. I would like to stress again that ZIP code problems on second-class mail, tough as they are, are considerably easier to handle than on third-class mail. Also, ZIP coding is much more of a problem on smaller magazines than on the very large ones that already have computers.

Here is what we have done. We have been adding ZIP code numbers to our address plates. And as an experiment we have converted all of the State of Arizona to ZIP code order—filing the address plates for that state in ZIP code order alphabetically within each number. We selected Arizona because it is less populous and yet large enough to provide a good experiment. We had long since learned to experiment on a small basis before going into any large changeover. Then when problems are encountered we can avoid the tremendous job of re-changing the entire list to correct problems.

In adding the numbers we used the official Post Office Department ZIP Code Directory for Arizona that was available at that time. But a number of problems arose, and I'll give you an example.

Just recently a subscriber wrote a letter addressed to that "Crazy Mixed-up Circulation Department." The gist of his complaint was that he had renewed his subscription about a year before the old subscription ran out. And instead of extending his subscription we were sending him two copies at the same address. Fortunately he sent us his two address labels. The only difference was in the ZIP code number—one was 85020 and one 85021.

So we checked back to see what had happened. In the directory used when we added ZIP codes in the fall there was a small heading "Numbered streets." And below that headings such as "7th through 15th, N.," etc. Then suddenly without any further headings the column switched from high numbers to "1st through 6th, N." and "7th through 14th, N." So (using more than normal intelligence, I thought) the girl reasoned that if the first series of numbers referred to "numbered streets," the group that followed must be avenues or places. Since the address in question was "7102 N. 12th Place" she selected 85021 as the proper ZIP code and put it on the address plate which was filed under that number.

When the renewal came in later it was looked up in the new ZIP Code Directory and 85020 was assigned to it. This illustrates a point. Whenever an address

plate gets filed under the wrong number in a numerical filing system there is absolutely no way to discover the error except for the post office or the subscriber to tell us. Otherwise it would be lost until expiration of the subscription.

Under the former system of filing alphabetically by city, all duplicate subscriptions were automatically discovered as they were filed in and the two subscriptions combined. Now this ability is lost and not only copies but postage are wasted.

This is not an isolated case. The numbers on the plates can be wrong for many reasons: They can be wrong in the directory (or missing from it in which case we have to guess at it) they can be wrongly selected when the clerk selects the number, the subscriber can easily give us the wrong number (and many do by transposing numbers, etc.). We obviously can't check the numbers against a directory—we couldn't take the time so we have to accept the subscriber's number as it comes to us.

Another problem has cropped up, too. Even though ZIP code is not supposed to go into effect until next January we are already receiving many address labels from post offices (and paying for the questionable privilege) because the ZIP code number is wrong even though the street address is entirely correct. And in some cases we are even getting back address labels on which the postal employee has written on a ZIP code number that is wrong according to the Post Office Directory. I have sent a strong letter of complaint on this subject along to the customer relations officer for our district, objecting to the defacing of copies when the label is cut out of the cover. Also I am told the magazine is not delivered in such cases (which seems reasonable in such circumstances). So there is a regrettable waste of copies (not only the one from which the label is cut, but the replacement copy at the time the customer complains about missing a copy).

If things like this occur now, 7 months ahead of the deadline (and in our slack season to boot), I hate to think of the chaos that will develop in January when the system goes into full effect.

At this point I want to point out that I am not opposed to ZIP code as a system. I think the concept is good and that it is the eventual solution to postal problems. Perhaps the present system will need to be modified as time goes on. In fact, I am sure modifications will develop. But the general idea is good, and I am not suggesting that it be abandoned.

But what is the rush? I believe the ZIP code system should be inaugurated step by step in order to debug the system as we go along. Just as we took one State to experiment with in order to do it sensibly and economically, I believe the Post Office should use the first three numbers for a year or two before requiring the use of all five. This is the only sensible way to debug the system and perfect it. But no one has ever given me a good reason for rushing into the use of all five numbers so fast. The only reason I've heard is that the system was designed with computers in mind so the entire system has to be planned.

So what? This is still no reason for mandatory use of all five numbers by January 1, 1967. As long as the computer owners know what the eventual plan is, they can program for it, even though the use of only three numbers is required now. And I see no reason for a headlong rush into chaos that could be avoided by a step-by-step approach. I am afraid that plunging into the system all at once might produce such chaos both inside and outside the post offices that the idea might be abandoned entirely, whereas a systematic approach would develop the kind of system that would be valuable to all if the kinks are worked out as we go along. There are plenty of problems to encounter just on the first three numbers and we need that experience first.

As for the cost of ZIP code, I am sorry I can still give only estimates. We do know we have kept three extra girls on ZIP coding. And we will need more extras in our busy Christmas season. As a rough estimate I'd say \$40,000 a year is a likely extra cost. But this is only the direct cost, not counting the cost of extra magazines, loss of goodwill from errors like I've cited, or extra promotion costs.

As for promotion costs they come under third-class rates—and handling ZIP code on third-class mail is even more difficult than on second-class mail, as I stated. Since we sell nearly all of our subscriptions by mail this is a terrifically important item to us.

Again on third-class the use of the first three numbers of the ZIP code are both the easiest for users to cope with and most valuable to the Post Office Department in relieving their workload—another reason for working out the problems of the first three numbers before facing the difficulties of the last two.

As I mentioned before we get our circulation primarily from mailings to Western department stores. So we do not have control of the mailing lists we use. But

I have surveyed the stores and find a mixed situation. Some stores are converting to computers (there are only three of these) others are continuing on with metal address plates. Most of them are just beginning to add ZIP numbers to their address plates and won't have the job completed by the deadline. But they use their lists principally for mailing monthly statements to customers. These are sent by first-class mail. So the stores feel no urgency in getting ZIP codes added. And certainly they won't hurry just because of our problems.

In all cases the stores will still keep their lists in alphabetical order for the benefit of their accounting departments. And in only one case do they plan to program so that the address labels can come off in ZIP code order. So we will face the situation of having to pay heavy sorting charges at the very least if we are able to use their lists at all. I would estimate that our extra sorting costs alone will be at least \$25,000 more per year. But what about the lists we can't even use? This will cause a loss of circulation and the resulting loss in advertising revenue.

We have in our shop about 300,000 former subscriber names. These we have used from time to time to promote and return to our list as subscribers. But they have no ZIP code numbers and can't be sorted to ZIP code sequence without the numbers. We don't use them often enough to be worth the cost of adding numbers, so we are faced with the prospect of throwing a valuable property away. But we can sort these to the first three numbers if only three number compliance were required now. And if they could be used for the next 3 years, at least part of them could be used enough to be worth adding the ZIP code numbers—another reason for delaying the mandatory five-number requirement.

On the third-class lists we use there is no way of finding out in advance the number of prospects in each town or each ZIP code area. And if we are mailing to a number of lists at the same time it is impossible to merge as the Post Office is asking. We'd have sacks strung clear across Menlo Park in trying to do this on a mailing of 2 million pieces.

More time is needed by the Post Office itself to set up the ZIP code system properly. No mailing list can be maintained in ZIP code sequence while constant changes are being made—and such changes are coming to us at the rate of about 140 per month. These changes have to be eliminated if the system is to function properly. There seems to be some question as to how much the numbers can be frozen. This is another reason more time is needed in developing the last two numbers of the system. But the first three numbers can be used now.

And if you don't believe the Post Office needs more time to solve its problems look at the attached photostats of mailing pieces returned to us recently. And many similar cases occur. The postal clerk who handled No. 1 wrote the change of address on it and we paid 8 cents to get it back. But the ZIP Code Directory shows no such street name and we find no such address in the postal directory. Also, the ZIP code number is wrong. It probably should be 91775 instead of 91175. On No. 2 the postal clerk gave us six numbers in the ZIP code. You can readily see the problems and expense we face when neither the public nor postal employees are ready for the system. It needs much, much more public promotion and preparation for its use by all.

There will be lists that won't be available to us for mailing if we rush into ZIP code. This loss could mean lower circulation and lower advertising revenue—a loss overall to our company in revenue. And this affects the Government as well as us because at least half of the extra costs of ZIP coding in a hurry will be lost to the Government in the form of reduced tax revenue.

So again I ask what's the rush? Why not an orderly step-by-step development of the five-letter ZIP code on a sound basis. The ZIP Code Directory that was promised to us by the Post Office Department by January 1 of this year was not available here until April 1. The Post Office Department demonstrated that their deadlines are not realistic for their own compliance—yet they doggedly insist that we meet them.

For the many reasons mentioned here we believe that ZIP code compliance to the full five numbers should be relaxed, but that ZIP coding in a form modified by experience should be continued. So we are heartily in favor of H.R. 9551.

(Photostats of mailing pieces retained in committee files.)

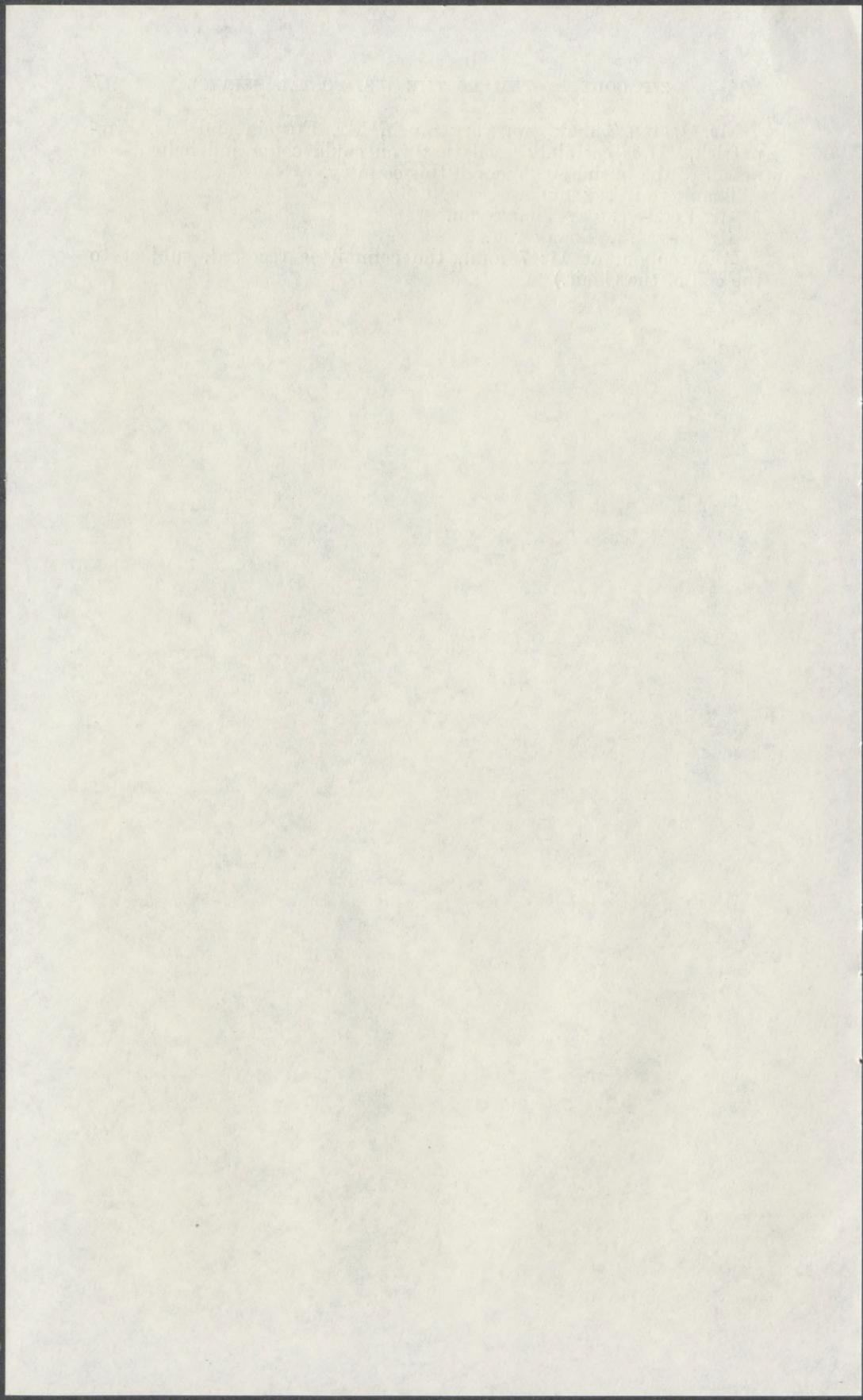
Mr. OLSEN. Thank you very much, Mr. Epstein and Mr. Fitzpatrick. It is certainly good that you could come and help us on behalf of the business mailers of this country.

Thank you very much.

Mr. FITZPATRICK. Thank you.

Mr. EPSTEIN. Thank you.

(Whereupon, at 11:47 a.m., the committee recessed, subject to the call of the Chair.)



JOINT CONFERENCE ON THE ZIP CODE SYSTEM

SPONSORED BY THE
SUBCOMMITTEE ON POSTAL FACILITIES AND
MODERNIZATION IN COOPERATION WITH THE
POST OFFICE DEPARTMENT AND
REPRESENTATIVES OF BUSINESS USERS
OF THE MAILS

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Mr. Joseph H. Fitzpatrick, executive director, Mail Advertising
Service Association

ZIP CODE SYSTEM IN THE U.S. POSTAL SERVICE

THURSDAY, MAY 19, 1966

CONFERENCE ROOM B,
POST OFFICE BUILDING,
12TH AND PENNSYLVANIA AVENUE NW.,
Washington, D.C.

Mr. OLSEN. We will bring the meeting to order.

Ladies and gentlemen, I should like, first of all, to express my own and our subcommittee's deep appreciation to Deputy Postmaster General Fred Belen, Assistant Postmaster General Ralph Nicholson, and the members of their staff who are here this morning, and also to Mr. Harry Maginnis, President of the Associated Third-Class Mail Users, and the members of his association who are here, for their cooperation and for their willingness to sit down with the subcommittee in this semi-informal discussion of the ZIP code program.

As you all know, the subcommittee has been conducting extensive hearings on the proposed regulations of the Postmaster General that would impose a mandatory ZIP code system, effective January 1, 1967, on volume users of second- and third-class mail.

We have heard convincing testimony in favor of ZIP code. On the other hand, we have heard equally convincing testimony from many users of the mails that, while they might favor the principle and the objectives of ZIP code, many problems inherent in the proposal make it simply impossible for them to comply with the January 1, 1967, deadline.

Confronted with these opposing points of view of ZIP code, I decided to depart from our usual hearing procedure and have arranged this type of an open and direct confrontation where both points of view can be expressed and where, I hope, any problems and conflicts can be resolved.

I really do appreciate the change of hour that has made it possible for Mr. Pool and I to be here, and I want to thank Mr. Belen for this convenience to us.

I might say that I think I have now been exposed to most, if not all, of ZIP code's facets.

I have seen the side of the Post Office Department, and I am on record as being convinced that a coding system is necessary for the orderly and efficient movement of the mails.

I have viewed ZIP code from the angle of large, computerized mailers, particularly of the second class, who are already converted to ZIP code. Theirs is a rather good view, and they would not now have it changed.

I have faced ZIP code with the postal clerks and railroad employees from Texarkana and elsewhere. They are now facing up to real personal problems because of it.

I have also examined ZIP code from the point of view of the businessmen who are here today. They see flaws and imperfections.

It is this facet of ZIP code that I hope we will all examine carefully today.

Quite frankly and bluntly, from my many-sided view of ZIP code I am convinced that if we cannot resolve the serious problems many business users of the mails are facing in endeavoring to comply with the new ZIP code regulations, this entire gem of promise for the future of our postal service may be shattered beyond recovery.

I will ask Mr. Harry Maginnis and his associates to define their special problem areas with ZIP code, and we will get to work on them. First, however, I should like to recognize our host this morning, Hon. Frederick C. Belen, Deputy Postmaster General.

Mr. BELEN. Thank you, Congressman Olsen.

First of all, I would like to thank Chairman Olsen for suggesting this meeting. Mr. Olsen has given us his own version of the "Equality of Opportunity" program by allowing both sides, postal management and the representatives of the mailing industry, to present our views and arguments to his subcommittee over a 2-year period.

Now that most of the evidence is in, he has called on us, in the words of President Johnson, to sit down and reason together.

We are happy to do so.

I don't think there is anyone in this room who really doubts the validity of the ZIP code program or the value of the sectional centers we established as part of that program.

Without it, we probably would have had a rate increase a year ago. Without it, we would have had to ask for an additional \$407 million to handle the mail this year. Now this statement is to be based on sorting the mail at the same rate per man-year as we were doing in 1961.

Of course, we have done a lot of things procedurally to improve the situation and ZIP code is one of them.

Putting it another way, the mailing industry now has a \$300 million investment in ZIP code. Of course some of you are taking greater advantage of it than others, and are already getting better, more efficient service as a result.

I have read virtually all of the testimony before the subcommittee. While I don't want to score debaters' points at this stage of the game, it seems to me that some of the arguments raised against our regulations cry aloud for clarification.

It has been said that newspapers which mail under second-class permits were granted exceptions to the regulations. Perhaps it has not been fully understood that the same exception applies to the third-class bulk mailer.

It has been said that we changed horses in midstream, so to speak, when we reduced 643 multi-ZIP coded cities. Now this decision was made at the direct request of the industry. It eliminated lookup costs to the mailer and offered better service by eliminating one handling at the destination point in these cities.

And I must just say that if we didn't have that kind of an open mind and weren't willing to admit that we could make some changes that would improve the system there wouldn't be any need of sitting around this table at all. It has been said that the 1966 National ZIP Code Directory is shot through with inaccuracies because of changes

since last November. Between last June 17 and April 21 of this year there were 254 changes in ZIP code. Of that number 212 were due to discontinued post offices.

Let me say here and now that mailers who use the National Directory as a source will continue to receive the bulk rate, and we will see to it that the mail is delivered.

In other words, if there are any errors or any changes left out of a ZIP Code Directory and you code your mail according to that directory, you are going to be able to get that rate.

It has been said that the directory does not list such places as new housing developments and the like. The directory is designed as a reference for official post offices. Such name places are not proper mailing addresses, and mail addressed to those destinations should not be delivered under either the old or the new regulations. I think one point I would like to underscore is that as we got into the program, we found that there were a lot of postmasters who were permitting mailers to do things that they were never authorized to do. The things that are causing problems to a large extent are those who weren't already presorting their bulk mailings as they should have.

There is no reason, however, that they can't be used as part of the address, getting back now to these developments, provided the official post office is included.

It has been said that manual ZIP coding is too expensive. We do it for \$1.50 per thousand. I am saying that we will get your cards in order for you for \$1.50 per thousand.

It has been said that compilers of lists are having difficulty because individuals don't include ZIP code in filling out coupons. Well, of course that brings up the basic question. Was there space in the coupon for ZIP code? Our experience has been that when a space for ZIP code is included, the public is cooperative. Personally I have no sympathy for someone who develops a list from coupons on which he doesn't include a space for ZIP code.

This is really the way I feel about it.

We have 118,000 employees in the postal services who have been there less than 1 year. That is one out of five. Now this has been brought about by two things. First of all there was the retirement bill and that accelerated retirements by, we estimate, 20 to 30,000 or more. Normally we have about 80,000 separations. Then we had legislation passed which was directed at shortening the workweek. It provided overtime for primarily the hourly rated employees. As a result of that, we had to add a lot more employees to cut down the amount of overtime.

You might say why don't you keep the regular employees on and pay overtime, but at some point you have got to face up to the issue that you are not going to get time and a half pay all the way through. With new employees moving into new post offices more and more, sorting by ZIP code is a very important point.

It has been said there is a lack of trained distributors in post offices because of the rapid turnover in personnel. This is true. That is why the Department is making ZIP code a compulsory requirement for bulk second- and third-class mailers.

There was a shortage of National Directories. But now we have them and we are anxious to learn the name of any mailer who has been unable to get a copy. Also we would like to know the names

of any post offices where employees are not cooperating on requests for directories.

Finally it has been testified that the public itself is not cooperating in the ZIP code program. All of you will receive copies of an announcement to be made at a press conference this afternoon by Postmaster General O'Brien. Mr. O'Brien will report the results of a nationwide poll by Elmo Roper & Associates, which showed that 96 percent of the public is familiar with ZIP code system, two out of every three think it is a sound program, more than 50 percent of the public use it, and only 2 percent take a negative attitude toward it. Considering that ZIP code has been in business only 3 years, I think that's a pretty fair showing.

Now we come to the question of hardship cases, which is at the heart of today's meeting. All of you have been given copies of our regional letter, dated November 1, 1965, spelling out the criteria in applying for extensions beyond the deadline of January 1.

I want to say, just as frankly as I can, that we can't wait until November to render a judgment on hardship cases that are clear cut. If a mailer has really tried to comply, and if he has a legitimate claim to a hardship exemption that would be applicable in November, we are willing to grant that exemption now.

It is ridiculous to say that we are not going to make any exceptions. But it is just as ridiculous to say we are ready to drop the January deadline. If we did that, let me assure you that the complaints received by the subcommittee would be a pebble in a landslide of protests from mailers who invested the time and money to meet our requirements.

We cannot let them down and we will not let them down.

And now my staff and I will try to answer your questions. If their answers require additional research, we will do so and give you an early reply.

But it seems to me, in line with this, if I understood the chairman's request, that we ought to get into focus just what we are talking about.

It seems to me that we are trying first to ascertain if there are problems in two categories: One, a redefinition of present instructions and what recommendations you might make for that redefinition. Or secondly, the instructions are sufficient, however an analysis and decision on individual cases as presented need to be responded to more quickly.

Mr. OLSEN. Before we go any further, I would like to recognize my colleague and thank him, too, for being with us today. I recognize Mr. Pool.

Mr. POOL. Thank you. I am sorry I tried to interrupt you a while ago. I want to ask you this. Have you all ever studied the idea of requiring a return address on all mail?

Mr. BELEN. I might ask one of the old hands. How about that, Ed?

Mr. RILEY. Well, we have considered that for years and we have some requirements for return addresses on the kind of mail we can control like registered mail. But I think it would be very impracticable to have required return addresses on everyone's mail and deposit it in boxes and so on. And we have no way of enforcing it.

Mr. POOL. Well, you put out publicity as you did on the ZIP code and tell them they would have to wait for delivery if they didn't put

return addresses on mail. You would get 98 percent cooperation of the public.

Mr. RILEY. That is conjectural.

Mr. POOL. I tried to make this very simple. I dreamed about this the other night, and came up with a very bright idea. But you have to do that first. If you require a return address on every parcel or don't deliver it, and tell them they have to put the ZIP code on there; that would solve all these problems.

Mr. BELEN. One of the things we have done, Mr. Pool—I know you are aware of this—and that is in the single-coded cities the ZIP code now appears in the postmark.

Mr. POOL. What do you mean the ZIP code?

Mr. BELEN. It is in the postmark.

Mr. POOL. Just the regional sectional center?

Mr. BELEN. No; the whole ZIP code number.

Mr. POOL. You don't have a single ZIP code for everyone. You can't do that.

Mr. BELEN. No; I said for the single-coded ZIP code cities. Not like Dallas.

Mr. POOL. What do you think about having everybody put their return address and ZIP code on mail or you won't deliver it?

Mr. BELEN. Of course I think it would be wonderful if we could get away with it.

Mr. RILEY. We have regulation as to this. "The return address of the sender must be shown on all fourth-class mail." There are other similar provisions on registered mail under any class of mail where we have any reasonable control over it.

Mr. POOL. What about first-class mail.

Mr. RILEY. We have no reasonable control. People throw it in the letter boxes and people pick it up and what are you going to do with it.

Mr. POOL. You can say the same thing about ZIP code. You have no return for control. If the guy didn't put a ZIP code on there what are you going to do with the mail.

Mr. RILEY. You can't send mail back to the mailer if you don't know where the mail came from.

Mr. POOL. You are eventually going to get into first-class mail being ZIP coded. Isn't that right. That is the ultimate goal, isn't that right.

Mr. BELAN. Well, we don't right now, Mr. Pool, foresee any mandatory requirement on first-class mail ZIP coded.

Mr. POOL. Somebody said that in their testimony that that would be the ultimate goal.

Mr. BELEN. We did foresee that. But as it is now, we find that much first-class mail is coming off lists that are used for third-class mail so that it already is coming in presorted, and it is only reasonable to feel that if we did a requirement on first-class ZIP-coded mail that then they would say they were entitled to a reduced rate, just like third class got a reduced rate for presorting by ZIP code. But what is happening now is we are beginning to sort the ZIP-coded mail first. Ultimately, whenever one has his ZIP coded, that mail will be sorted first, and the non-ZIP-coded mail will become residue. ZIP-coded mail will be the best way to get your letters to move.

Mr. POOL. A while ago you mentioned coupons. A lot of fellows run ads in magazines and don't want to pay for space for coupons. It might cost twice as much for an ad. So they don't have a coupon.

Mr. BELEN. We would not require that they put it down. But if they want to get the ZIP code number they better put it down. This is the decision they have to make. We are not going, on January 1, to refuse any mail. All we are saying is that to get the preferred rate you will have to presort it by ZIP code.

This is the first change that we have required from second-class and third-class mailers in 40 years.

Mr. POOL. What are you going to charge, the preferred rate is what?

Mr. BELEN. 2½ cents as compared to 4 cents for third-class mail.

Mr. POOL. In other words, you pay 4 cents. So you penalize the poor mailers. The ones who are hard up and don't have a lot of money have to pay a cent and an eighth more than the big mailers.

Mr. BELEN. Not really, because it costs us a cent and a half more to handle it. They ought to pay more, not the other mailer.

Mr. POOL. Well, they keep jumping on the 4 cents, and you do the ZIP coding yourself.

Mr. BELEN. We will do the sorting; yes, sir. We are not saying we won't accept anybody's mail, but I might at this time say that the mailer has to evaluate whether the list and its return is worth 1½ cents more apiece. And I just pointed out if we had a rate increase, undoubtedly we would be paying pretty close to 4 cents and still be sorting your mail in the regular way for bulk mail rate. The House, 2 years ago, put it at 3½ cents.

Mr. OLSEN. Gentlemen, I know that our friend, Harry Maginnis, has an estimate. I think it would probably be better to have his statement before we go into all these details. I would like for you gentlemen to yield while we hear from Mr. Maginnis.

Mr. MAGINNIS. Well, Mr. Chairman, you have an assumption which is not correct. I do not have a prepared statement. I do have with me a number of expert witnesses who will challenge some of the Deputy Postmaster General's statements. We have sat around over the last 18 months and the experts, who are true geniuses, can't agree among themselves what the regulations mean. They disagree about the use of computer tapes. They disagree about the adequacy of the ZIP Code Directory. They get into arguments over what are known as prestige communities, of which we have 111,000, whereas there are only 34,000 post offices. They get into arguments as to the two-pronged problem we have here.

The first problem is getting the numbers, getting the accurate numbers and applying them both to the plates and the tapes. We have developed no adequate information, it seems to me, irrespective of Mr. Roper's poll or any other poll as to what the cost to 300,000 bulk mailers is going to be simply to acquire the accurate numbers.

Nobody at this point knows what it is going to cost the mailers to presort their mail by ZIP code sequence after January 1. There are all kinds of guesses, estimates, and so forth. It has been stated that the imposition of ZIP coding has staved off a rate bill. Rate bills are decided by the Congress. The Postmaster General, as you know, proposes legislation in the Congress and the Congress, in the end, decides what the rates should be.

One thing about a rate increase is that you are dealing with certainties. You can almost gear your operations to what the rate should be, whether it is 3½ cents, 4 cents, 3¾ cents; anything. But the uncertainty of ZIP code at this moment is such that there are thousands of mailers who do not know the additional cost per thousand, if it is going to be \$11.75 per thousand, \$50 per thousand, or whether it will ever be feasible.

Mr. BELEN. What is the uncertainty you are referring to, Harry.

Mr. MAGINNIS. Well, the uncertainty exists, Fred, among the experts that we have here today. You have constant disagreement. I think we will get into this a little later and you will find them arguing among themselves as to what the costs are. Now, Mr. Norman Carroll, whom we haven't heard from before, called me up and said he had been dealing with computer lists for a long time a subject totally alien to me. I am not an expert in the field. But he said, "Harry, I have got to get down there. I have been out with the Holy Ghost Mission Fathers who have a tape. We have been trying to use our tape and cooperate with postal officials to get the proper numbers." And, he says, it is totally impossible to do so. He will give you technical reasons why it is not possible to do this and the cost of doing so.

We have had the wonderful opportunity, all of us—the Members of the Congress, public servants in the Post Office Department—to visit the plant of Mailmen, Inc., to look at a sorting operation of national, mixed merged lists. Everybody that has gone up there has come away confused. This includes Mr. Valeska of Time, Inc., whom Mr. O'Brien asked to go up there and take a look. We sort of had an ad hoc committee.

Mr. Olsen has been there and Mr. Hanley, and Mr. Krebs came up. Those who came will tell you informally we have a real problem here for which they have no solution at the moment.

Now, you are talking about a quite broad industry. We are fairly sophisticated people. We have been looking over the ZIP Code Directory. We have been talking to the postal officials and we must admit we are confused and that we can't accommodate ourselves to the program as soon as January 1, 1967.

We felt that with a thorough dialogue on this subject, with the Congress and with the Department, we might arrive at some decisions which would make the program feasible. Now, if I have any statement to make at all, regarding the program, it is this. It has been hedged with uncertainty from the beginning. There has been floundering from one point to another, from J. Edward Day's time to Mr. Gronouski's time through the present time. We can present evidence on this and go back through the record and quote what one official said, and what another official said, and what another official said. But in any event, had the Post Office Department in the beginning, for instance, called in these high-priced geniuses that surround this table and said, "Look we have to put a ZIP Code Directory together, can you help us to do it?" It would have been wonderful.

Because now we find out that the ZIP Code Directory is not set up properly. We can discuss it here today. We, as experts, got into an argument last night, for instance, a tremendous argument, and we

can't agree among ourselves, whether it is possible in the ZIP Code Directory to pick out the 552 sectional centers.

Now, this is the key to the whole program, the 552 sectional centers. One would think you could go to the book, Mr. Chairman, and pick the sectional centers out. These are supposedly in heavy type, they tell me. But when you look at them you find out there are 600 odd, 668, I think. So I think, Mr. Chairman, you should ask the Department right now to take a red pencil and mark out for us the sectional centers in this book, which unsophisticated people have to use. They will find a lot of difficulty.

Late in the day, just a few weeks ago, in going through the book, we assumed there were only 552 3-digit numbers which we thought were sectional centers. We made a count of the thing and found out there are 930. We wondered why this is so. So we go to a city like Newark and find out they have four first three-digit numbers, and our experts who are here will argue as to what these numbers mean and how in the final sacking procedure you bring down this less than third of a sack and finally get it into what is supposed to be the sectional center.

Now, as I say, I am not an expert on the subject, but I am good enough an advocate and lawyer to know that there are sincere disagreements among a lot of high-priced people about this particular book. Mr. Carroll points out something I didn't know, that we have, for instance, an official list of abbreviations. So he finds out, if he uses the official abbreviations, which are in an official book which one gets from the Department, that these abbreviations don't coincide with the markings on the computer tapes.

So you run your computer tape off and proper addresses are rejected. Now, the Deputy Postmaster General said, for instance, that there is a requirement that one must have a legal address before mail is delivered to anybody. And this should be true. We have 35,000 or 34,000 post offices and we know that every citizen of the United States has a place where he can receive mail. This is true. No matter where you are you have an address and that is the wonder of this system.

However, if the Congress or the Department declines to deliver mail to these prestige communities—let's say 111,000—and returns mail to those who had addressed it there, you know the chaos and the political hubbub this would cause. They talked to me last night about Forest Hills, Long Island, a tremendous place. But theoretically there is no such place as Forest Hills. It is a part of Flushing N.Y. post office.

Now, the people in Forest Hills tell me they like to use Forest Hills because the homes are more expensive there and the ones over here in Flushing are less expensive. And I have used occasionally my own illustration that I will have in Tulip Hill, Md.

In Bethesda, which is a city bigger as you pointed out, Mr. Chairman, than almost the entire State of Montana—Yet this is a prestige community and if you won't deliver letters addressed to the Bethesda, Md., post office there will be a lot of political trouble. Let's face it.

Now, if we had a "bible," or a dictionary which would tell us what all these prestige communities are, where mail would be delivered, we would have a handbook. We would have a bible. And we would proceed. We are smart people in this business. All we need are the tools to go ahead. And all we claim, and the reason for this technical

discussion is to find out where the barbs are to overcome, reason together, as you point out, Mr. Belen, because we think the burgeoning volume of mail is such that we do need a number system. Now, I don't want to get into a discussion on whether we agreed to anything at any time. I am not a member of the Postmaster General's technical advisory committee, but I do know that there were a number of publishers and so forth who went along with the program.

I never did, from the beginning, because I saw the confusion in the beginning. As for reducing the number of multicoded cities from 1,100 to 694 to the present 314, we had no concern about that at the time. We thought 1,100 was ridiculous. We felt 694 was ridiculous and had the feeling 314 was maybe too many. When we went through the zoning program, 107 cities were selected where numbers could be used, double numbers in the city. The Department at that time, going back then, had a hard time deciding what these should be.

Now, as we take a look at the 314 cities, we find that some of them are as small as 8,000 people. Now, when you have a town as small as 8,000 people, there doesn't seem to be a need for double numbers.

Now, we also consult with our friends in the postal service, postal clerks, the men who for a lifetime have been scheming mail. They know where Tulip Hill is and they know where Forest Hills is and they are able to do the job. Now, we agree with the Deputy Postmaster General that the day will come when the use of numbers will make it easier internally to distribute the mail.

We also, as an association, take a very long range view that the chairman of this subcommittee is going to bring to this Department mechanization and modernization, and that great, great sums of money are going to be spent on scanning equipment and so forth. Once this money is appropriated by the Congress, there is going to be need for large volumes of mail to be scanned. It can't stand idle at midnight or off periods. I think we have to take a long range view on this thing.

I don't know how we resolve the issue, but I would like, if nothing else, to have this meeting determine among these experts, where the barbs are, where the burrs are, and what can be done to help us meet this January date.

I personally don't think we can do so without great hardship. That is my honest opinion of it. Now, Mr. Hoke is not a member of my association. He is an independent reporter, a publisher of the trade magazine of this industry. He had a view a year and a half ago, which was somewhat more optimistic than it is today. Yet, because of his travels through this country talking to mailers, I would rather depend on him any day than your Mr. Elmo Roper. Mr. Roper may ask, "Do you know about ZIP code?" Everybody will say, "Sure, we know about ZIP code." There is a little Mr. ZIP on the mailbox and everybody has got a number. But Mr. Hoke knows—and at our last hearing I believe he got cut off because the bells rang—and in the meantime he has gathered new information. I would like him to take over at this time, if it is your will that he do so, to set the pattern for what we are trying to develop in this meeting. I think he can throw more light on it as a reporter.

Mr. OLSEN. Thank you, very much, Mr. Maginnis. I want to consult with the Deputy Postmaster General here about his particular program of asking questions.

Mr. BELEN. I think that we can sort of have a roundtable discussion. I do feel we ought to get down to what I thought were the issues here. It certainly is pretty late in the day for me to hear now that what we want is a directory of 117,000 locations instead of the post offices. I don't think we ought to, Harry, put in such unrelated things as that. I will tell you that there probably is some value to it. I know that United Parcel has shown me in the State of North Carolina where they were setting it up on tapes and putting in trading areas. You have right here, let's say, Seven Corners. That is a tremendous operation, but it isn't a post office and we deliver mails through post offices.

But I don't think we should get into unrelated things like that. I would like to get right down to just what do you consider a hardship case and what do you want us to do about it. I thought the big issue was that you weren't getting anything out of us on that score, but I am willing to talk about anything.

I think we ought to get down to the things we can resolve of that nature.

Mr. OLSEN. Well, inasmuch as Mr. Maginnis thinks that Mr. Hoke could set some pattern for us, let's hear from him.

Mr. BELEN. All right.

Mr. OLSEN. And then we will return if we can to specific questions and go through them as Mr. Belen has them in mind. This won't shut out anybody. We just have to have some order. And the only order I know of is to hear from everybody. So Mr. Hoke, if you will proceed.

Mr. HOKE. Mr. Chairman, I don't remember really where I left off with the testimony, but I have been continuing my factfinding tour around the country. I would like to say with dedication and sincerity, that I must report rising temperatures among the mailers based on genuine fears of their ability to comply and their astonishment at the arrogance at some levels from the Post Office, the lack of confidence displayed out in the field about the program among your own people. I guess the temperature couldn't be higher with anyone than it is with myself. I am not only a reporter but I am intimately involved in our own behalf. But I don't want to come here and plead a special case. I only mention our case as an example, and I want to use that to go to another area.

We have been ZIP coding all along, since the very beginning. We have three nice little girls in our office doing this job. I think we have four or five now, and they have had the normal problems. I mean there are no surprises, and we are willing to put up with the problems. I suppose we had our lists ZIP coded by January or February. We began talking to our printing plant up at Duluth, and they were unaware of any of the problems. They had not gotten exactly to sorting yet. I said listen fellows in February we have to—we are going to start. We have got to get ahead of this thing. So they started and it was awful.

They talked to the Duluth post office, and who readily admitted that their mailer knew more than the Duluth post office. Now, this is not only in Duluth, it is all over the country.

Now, they did it in March, and they found out a thousand of our names were wrong. Our people had done it wrong, innocently. So we recut them in a crash program, got them back in and finally got a

good mail in May and along with it a bill for \$1,000 extra charges for mailing three issues of a little 12,000 publication. Now, this was personally frightening. And I began to wonder, good grief, if January 1 comes and everybody gets this kind of a response you will have a catastrophe on your hands.

So I have gone around, I have gone up to Duluth, I was up there Monday, a week ago, the post office very kindly sent their regional man up from St. Paul. The Duluth postmaster went in and they concurred with what our plant is doing, which justified this bill.

Mr. BELEN. Are they going to charge you that \$1,000 every time?

Mr. HOKE. Sir, that is under negotiation. [Laughter.]

Believe me, it is under negotiation.

Mr. OLSEN. Have you changed your list since that charge? Or your sorting? Which is it you were charged for?

Mr. HOKE. For sorting. One of the problems we had, I would like to break the bill down so there is absolutely no misunderstanding.

Mr. OLSEN. Right.

Mr. HOKE. Not all of it was due to ZIP code. Yes, it was. Most of it was due to ZIP code in an indirect manner. But they charged us \$100 for somebody to sit down with our numerically sequenced list, in numerical ZIP code sequence. They charged us \$100 an issue for somebody to sit down and mark our list five ways, with red pencil, because they claimed their people can't see the numbers coming off the conveyor belt.

And if you have a red mark and you can come through and scoop it up and there are five different things you can do with bundles of mail, six or more, and they have to set it aside on tables, and they have got to do it fast, at the rate of about 3,000 an hour and I am told these things go at 18,000 an hour.

We have developed equipment in this country to run at 18,000 per hour. And here we are faced with a situation where we have got to slow it down to a thousand or 3,000.

Mr. OLSEN. You have to do it then, when you change from one ZIP code to another.

Mr. HOKE. Yes, sir.

Mr. OLSEN. To show the change.

Mr. HOKE. And they have got symbols and I don't know what they are. I have them here if anybody is interested. It is a group of symbols—they have written it out for me. He couldn't explore it any further.

Mr. OLSEN. Would that change be repetitious?

Mr. HOKE. That is every month. Every month they say they have to mark this galley. Now, this isn't what we were told in the beginning. We were told if it was in numerical sequence, it would come lickety-split off the conveyor belt and right into the bag.

Now, I am not an expert. I don't know why this is necessary.

Mr. BELEN. Weren't they tying them out before by individual cities? They had to have some way to tie them out, but probably weren't tying them out at all. This is one of the things you get back to; they weren't preparing them properly in the old way or they would have had to tie out everything except the zoned city. That is one of the things that has created a problem.

Mr. HOKE. I cannot answer the question, Mr. Belen.

Another part of the charge is the extra tying out of the magazines. We have many more tie-outs with the ZIP code. This has been part of the cost, and these are recurring costs.

Now, the regional office was very helpful in helping our post office.

Mr. OLSEN. Is that a recurring charge?

Mr. HOKE. Yes, it is.

Mr. OLSEN. If the Post Office is going to impose on you, can't you put the markings on there for once?

Mr. HOKE. Well, we could. We discussed this, if you put it on. We are not on computer. We are on Elliot stencils, an old fashioned system. But even if you town-mark it as it is coming through, it is very difficult to see a black mark against a lot of addresses—it is all gray to the fellow looking at it, so they would rather have it in red.

Mr. OLSEN. And you are going to have to hire the Post Office, in effect, to come over there and help you mark it out in red.

Mr. HOKE. No, our mailer does it now. Our printer does it. But he was disturbed enough with this. As I proceeded around my tour in the country I went to Sunset Publication, and I highly recommend it as a place to really look at the problems. I was startled to talk with Bill McGrew of Sunset, Menlo Park, to find that his printer, Donnelly, had requested that he did precisely what we were asked to do in Duluth. I spent an afternoon there in Menlo Park talking to their nice little girls putting the numbers on. I found out some of their problems, and it is frightening. It is truly frightening. His testimony to me was that they needed three extra girls for a week besides the machine to prepare the marking of a numerically sequenced list. That is what it means to them in just that one small area.

I don't know why the marking is required. Perhaps it is because we have to regress from 930 numbers into 552. I suspect that is part of the problem regressing from 900, the first three digits back to 552. I suspect that is part of the problem that might be eliminated by going straight to a State bag. I am not sure. I just don't plead being an expert, but when I saw my problems in Duluth and the same out at Menlo Park, I was startled.

Mr. OLSEN. How big a publication is that?

Mr. HOKE. 700,000 circulation, and they have got to do it every single month.

Mr. BELEN. Right. And you have to take this into consideration, that if they didn't do it we would have to be sorting at the Post Office. We are talking about 30 billion pieces of mail that will require at least one or two less handlings. There is no question but what the work is going to have to be done somewhere, but obviously it seems to me the place to do it is on the list that is used over and over again.

We have 200 million pieces of mail to handle every single day. We handle it 13 times. We understand that there is some activity that has to be conducted, but if they are already tying them up by location, and I am concerned that they weren't—

Mr. HOKE. Well, sir, they were. They had it, I believe the expression is, town-marked. They did have it town-marked. But now they have to use five different symbols to indicate to the sorter that you have got to do five different things with it once it comes off the conveyor belt. I think this is an area that needs to be explored.

Mr. BELEN. I think it is an area where we can be helpful. I think procedure is what is bothering them. If they got all their towns marked off they could make the tie itself.

Mr. HOKE. I would recommend that high officials of the Post Office and the Congress, some Congressmen, go out and visit Menlo Park. It is all there, all the problems are there.

Mr. OLSEN. We are out of travel funds. [Laughter.]

Mr. BELEN. Bob, we will get in touch with them.

Mr. POOL. May I interrupt right here? I notice on this you don't have any hotels listed. Now, the Adolphus Hotel in Dallas, I couldn't tell you about the address on that, and the same way with the Statler. I can name off all those hotels there. I just address it to the Adolphus Hotel in Dallas, Tex., and I doubt if you are going to find the Adolphus Hotel in this ZIP code.

Mr. OLSEN. Well, it is not a post office.

Mr. BELEN. In the first place, Adolphus Hotel isn't a correct address, but we will still deliver it if you address it that way.

Mr. OLSEN. Would you do it for these people?

Mr. BELEN. No.

Mr. HOKE. No.

Mr. OLSEN. Well, let's get along.

Mr. BELEN. How many Adolphus Hotels would there be in Dallas? One. So they pay 4 cents for that and not worry about it.

Mr. HUSE. How much mail do they generate to the Adolphus Hotel?

Mr. BELEN. So they just pay 4 cents to it.

Mr. HOKE. One of the things that disturbed me in my travels—and I found this out in Los Angeles—was one of the changes in the ZIP code in the multi-ZIP coded cities. When I ran across it I wasn't quite sure what I was looking at. I was being told by people who were in the business that they were still changing numbers at a rapid rate in multi-ZIP-coded cities.

I asked officials of the Department about it. "Oh," they said, "That couldn't happen." And I told some people in one of our national associations about it, and they said, "That is ridiculous. We know it is not happening." So I gave them the name of a city, and they called this city and asked them and the postmaster said, "Of course there hasn't been a change in the ZIP code."

In the meantime I submitted evidence to Washington and, as you know, the April 28 bulletin was issued to the postmasters that they are not to make any more changes in the ZIP code.

Mr. OLSEN. While you are on that subject, I wanted to use the specific case that we ran into in New York. I think Manny Cohen can describe it best.

Mr. COHEN. This is the problem. I accidentally ran into the political leaders of my town who proudly told me that I was moving out of the post office that now serves me because they were creating a new post office. This is, you might call it, in the prestige area again.

Mr. BELEN. What was that name, what town?

Mr. COHEN. Dix Hills. And they are just as positive as can be that they are getting a post office. But, unfortunately, from the point of view of ZIP, Dix Hills is partly Comack, partly Huntington,

partly Huntington Station, partly Deer Park, and may hit a corner of Farmingdale.

Mr. OLSEN. Now, all of those you have named are already post offices.

Mr. COHEN. These are official post offices.

Mr. BELEN. This is new to me, but this is a real problem.

Mr. OLSEN. Yes. Now, we skip from Manny back to Mr. Hoke. Mr. Hoke has got one in Texas; is that right?

Mr. HOKE. Yes. I have got one here, May 2, after your bulletin, and I admit that there is a little time lag here. This is an unreasonable exhibit, but nevertheless it is dated May 2, and it has changes.

Mr. OLSEN. How many?

Mr. HOKE. And it is being done innocently. I can't understand it. I know there are some here. I would need some expert eyeballs on this thing.

Mr. BELEN. What was happening, apparently, was that some offices were changing routes, and in doing so, readjusted ZIP codes.

One of the first things we did was to tell offices to check all their zones to be sure they were right. And then here they were making—an individual Postmaster was making—some changes which he wasn't authorized to make. We appreciate Mr. Hoke's bringing this to our attention, because they just simply shouldn't be doing it.

I do think that—Pete, you do take corrective action when you dredge up something—we ought to be aware of it at our end. Yet, this is something that happens all the time in a system as big as ours. There is always somebody that isn't quite in step.

I think that most of these things will get shaken out. In fact, I am glad to have these illustrations, because it will give us a little more backbone for when the political leaders want to have a post office, it is just cutting heck out of you people who have to prepare the mail. This is important to me.

Mr. HOKE. I think it is another indication, though, that we haven't stabilized the system yet. We are still fooling around with the numbers. I know there are always going to be changes. We can't stop growth in this country. We have got to continue adding on streets. The terrific problem it creates in a mandatory situation from locating addresses and trying to comply, you only have to go to Sunset Magazine, with their millions of names, to see the heartbreaking problems they are having trying to find the numbers.

Mr. BELEN. We will have somebody go over.

Mr. HOKE. It is a classic example.

Mr. OLSEN. I just have this thought—kibitzing, because I am not an expert. Could there be an appointed annual date, when the new ZIP Code Directory comes out annually, that that will be the only time there are changes?

Mr. BELEN. Changes for the year? I should think so.

Mr. OLSEN. Or even on a longer basis. When we get the telephone directory, you know there is a date. Sometimes, though, it is indefinite. This would have to be a definite foreseeable date, when you can get the ZIP Code Directory, and then sometime subsequent to getting it, the changes would become effective.

Mr. BELEN. Yes.

Mr. OLSEN. On a fixed date, and there will be no other changes during the year.

Mr. Kaufmann?

Mr. KAUFMANN. May I say that this would be a very fine thing. We would all love it. But being a little bit on the practical side, I doubt very much whether either the Post Office or anybody else could live with a once a year updating situation.

I would expect that the best that we could hope for would be to hold off these changes on a quarterly basis, and that there be something set up whereby the same as people now subscribe to the updating of the manual and what have you, that they subscribe to an updating of their directory where for \$2 a year, or whatever the case may be, that they automatically get this quarterly bulletin.

Mr. BELEN. Chris, I think you should pay attention to this. I really believe this is legitimate. It does underscore this. I am real glad I didn't agree to a six number code which would include carrier routes. There was a lot of pressure for that, really.

Mr. HUSE. If I may, Mr. Chairman, I would like to point out, since the 17th of June, last year, through the 21st of April, this year, we made 254 official changes that affected the ZIP code number, exclusive of the 675 reductions in multicode of offices, from multicode to a single code status. That has happened on a one-time basis and it was reflected in the new directory.

I think the really pertinent data here is that we did make 254 changes that affected the ZIP code numbers. Out of that 254 figure, 226 of them were discontinued offices.

Mr. OLSEN. Well, we got 212 in the earlier statement here now.

Mr. HUSE. Well, 226 is right.

Mr. COHEN. May I ask you a question on that?

Mr. HUSE. Excuse me, Congressman, because 212 is the net.

Mr. OLSEN. Is the net.

Mr. HUSE. Is the net.

Mr. OLSEN. How do we keep that to a minimum?

Mr. BELEN. One of our problems with a discontinued office is that we take a look at it when there is a vacancy in the postmastership.

Mr. OLSEN. I see that. But now, getting back to this question of uncertainty, could they be discontinued quarterly on a certain date?

Mr. BELEN. That is a problem.

Mr. OLSEN. Well, it isn't a serious problem in my district. We could have a temporary postmaster until the quarterly date.

Mr. BELEN. What about that, Chris?

Mr. HAHN. It could be an effort directed at making these things effective. Things can happen that you won't be able to live with it.

Mr. BELEN. But you go through a process.

Mr. OLSEN. But if it is quarterly, Chris, that shouldn't be too tough.

Mr. HAHN. I think we can do that.

Mr. OLSEN. Hold it until the date with a temporary postmaster on retirement.

Mr. BELEN. It might even help us.

Mr. HAHN. I think we could schedule our changes on a quarterly basis.

Mr. BELEN. That would take care of most of these.

Mr. HAHN. A very high percentage of them could be made.

Mr. OLSEN. It would sure help this figure out a great deal.

Mr. HOKE. I think one thing behind that 264 figure, or whatever it is—

Mr. COHEN. 254.

Mr. HOKE. How many homes are affected? How many addresses are affected?

Mr. BELEN. Not many, because these are all, or the most part, fourth-class offices.

Mr. OLSEN. 212 would be very small. They won't be getting discontinued, you see.

Mr. COHEN. Just as a point of information—

Mr. OLSEN. Mr. Cohen?

Mr. COHEN. You happened to use the words "254 official changes."

Mr. BELEN. We agreed, because we know now of the unofficial changes some offices were making. I think we have stopped that.

Mr. COHEN. What we are curious about is does anybody know how many sets there are. In other words, is the Post Office regressing back to the old numbers?

Mr. BELEN. All we are saying is this, if you use the number that is in the ZIP code book you don't have to worry.

Mr. COHEN. It will be accepted.

Mr. BELEN. We will take that responsibility.

Mr. OLSEN. And nobody will be charged for errors of the Post Office Department.

Mr. BELEN. That's right.

Mr. HUSE. And it goes beyond that. Mr. Riley has issued instructions that would provide for notification of the proper ZIP code in those areas where the wrong number has been assigned. There is no charge for this service.

Mr. KAUFMANN. May I make a point on that?

Mr. OLSEN. Mr. Kaufmann?

Mr. KAUFMANN. I mentioned this once before, that this is a very fine regulation and we are very, very happy with it. However, within that regulation there are two key words, or three key words which leave us very uncertain and create some problems in our own minds, and that is "for the time being".

Now, this is a very vague term, a very vague and indefinite term. We don't know whether this is going to be until January 1 or whether it is going to be until a year from now or whether this is going to be an indefinite thing.

I recognize the fact that this is one area that may create some tremendous problems as of January 1, maybe not January 1, maybe 6 months later, because there have been many changes which are acceptable by the Post Office. But these are going to accumulate.

For instance, in cutting back to the 314 multi-ZIP cities, some were added, some were taken off. But it was expressly said that you can use up your old name stickers. You can use up your old letterheads. Now, inherent in this very gracious thing on the part of the Post Office is a source of future headaches and problems, because every one of those letterheads that is used up and every one of those stickers that is used up is going to end up in 5 or 6 or 10 or 20 or 50 lists, and these are going to have to be corrected by the Post Office at some point requiring—

Mr. BELEN. I don't think so. You see, we had five numbers set aside for, let's say, Menlo Park, and we decided we only needed one number.

Then, in our sortation, all those numbers will mean one. No one else has that number, we kept the low number.

For example, if they were all put together, you probably would have maybe 30 that would go to the single number. But if you had five numbers, you might have only two or three for each and some would be residual.

Mr. KAUFMANN. This does present a problem though in maintaining a list. If a listowner is going to maintain the list in ZIP code order, which many of them are not sure that they can do readily, because of the system that has developed over a number of years and the amount of training that might have to be changed or it just may be various and sundry problems, you could have that same person filed in two different places in your list—the one that was correct before, because you are filing by the numbers.

Mr. BELEN. Yes, I see.

Mr. KAUFMANN. And the one that is correct now. This leads to duplication within the lists, duplication of customer filing, and what have you. Again, I don't know.

Mr. BELEN. I get your point that you want, A, B, C, and number one, A, B, C, and number two.

Mr. KAUFMANN. That's right. And previously there would be no problem because you were alphabetically by city and by State and usually alphabetically by name within the city. So there could not be any duplication unless there were some slight change in the name, different first initials and that.

Mr. OLSEN. Do you have any remedy in mind?

Mr. KAUFMANN. I have no specific remedy. I am just looking to the problem. And one of them—

Mr. BELEN. Tell us about it.

Mr. KAUFMANN. That is one of the areas where I think some confusion can exist that maybe the Post Office had not been counting upon, after January 1 of an extra cost to mailers, but this is one problem.

Mr. OLSEN. Would it be satisfactory to know that you won't be penalized in any way?

Mr. KAUFMANN. Well, you automatically are penalized by maintaining the duplication within your list.

Mr. OLSEN. In your own shop.

Mr. KAUFMANN. That's right.

Mr. OLSEN. This is an extra cost.

Mr. KAUFMANN. If we make a listing. Look, it is probably a small percentage that will happen this way.

Mr. BELEN. Yes.

Mr. KAUFMANN. But nevertheless, we are all looking to making our mailings more efficient, not less efficient.

Mr. BELEN. If it were serious to anyone by volume, he can run a printoff and he would know the mailing list and sort them alphabetically and know they were all the same. You would find your duplications there.

Mr. KAUFMANN. Yes. But the thing is in feeding new names into the list, you are going to pick up these same names again next month. So this would have to be—in other words, we rent lists from other people to promote, to get our customers.

Mr. BELEN. Yes.

Mr. KAUFMANN. Now, if these lists have the old number in, we are going to get them back in again right after we clear them out.

Mr. HOKE. So it is a perpetual change. I found out in the Menlo Park, Mr. Belen, as a matter of fact, I brought these back for this meeting, showing some of their problems. They don't know what their duplication factor is. But up until I was there, their policy was, accept the number on the card and put it in the file.

Mr. BELEN. Yes.

Mr. HOKE. I was there for the afternoon they changed their procedure. They are telling the girls to check both ways.

Mr. BELEN. Yes.

Mr. HOKE. Because we went through a whole pile of nixies and the nice young lady there was tearing her hair out literally with a bundle of mail she hadn't been able to do anything with.

Mr. OLSEN. Could you show us?

Mr. HOKE. Yes.

Mr. OLSEN. I am eye-minded. Bring them up here. I was trained in schools where they did everything on the blackboard.

Mr. HOKE. One of the problems we had—here is one nixie back with six digits written on it. Here is one that came back with no ZIP code on it. Here one came back a symbol that they couldn't quite understand F.R.

Mr. OLSEN. You are going too fast for me. What is the matter with the first one?

Mr. BELEN. This is 946.

Mr. HOKE. What is that, a six digit number there?

Mr. DORAN. Five digits.

Mr. HOKE. 95650. There is a change of address, I believe.

Mr. MAGINNIS. Mr. Chairman, this is a service we pay 8 cents for to get the service from the post office employees.

Mr. HOKE. Here is one, 9 cents, back and no ZIP number. Here is another one back, the wrong ZIP number, 02101. If the girl took that number as gospel, as we should have had confidence in our Post Office, she is going to put this in file and it is going to be wrong.

Mr. OLSEN. This is one.

Mr. HOKE. Here is another one.

Mr. OLSEN. Don't go too fast.

Mr. DORAN. Boston is 02101.

Mr. BELEN. But not the Newberry Street.

Mr. DORAN. Yes, it is.

Mr. HOKE. 02101 is for the boxes. That is another notation by the clerk for Sunset.

Mr. OLSEN. Don't go too fast. We have got to go one at a time or these reporters are not going to have this related at all. Let's work on this one, 02101.

Mr. POOL. Let's label this "Exhibit No. 1."

Mr. OLSEN. All right, and work with that.

Mr. POOL. Now tell us about exhibit No. 1.

Mr. HOKE. Exhibit No. 1 is a nixie that came back to Sunset, a change of address, to Sunset, to 112 Newberry Street, Boston, Mass., 02101. When they checked this particular one they found out that 02101 was for the boxes in Boston, I suppose, and not for Newberry Street.

Mr. BELEN. But this man may get all of his mail in a box.

Mr. OLSEN. Well, let's find out.

Mr. HOKE. How would somebody in California know that?

Mr. KAUFMANN. May I make a suggestion?

Mr. OLSEN. Mr. Kaufmann?

Mr. KAUFMANN. I think that many of these things are among the problems that the Post Office is aware of. These are things that happen in local areas and that come up frequently. I would think that it might be better if we, as a group, go to broader subjects, just agree that there are problems in this area and tackle some of the bigger problems.

Mr. BELEN. The only thing I want to comment on though, is that the same personnel that made these errors are the same personnel that are sorting the mail. You are much better off with 30 million pieces of second- and third-class mail completely sorted when it comes in, headed for its destination.

Mr. OLSEN. Let's ask Pete to hang on to those for the time being and get to these details later. I think Mr. Kaufmann's point is well taken, and I would like to get to the bigger problem, particularly I would like to get to the problem we saw at Mailmen, Inc., as a really large problem for mailers, and to get back to the details at a later time, Mr. Hoke.

Mr. HOKE. I would like to just finish off by saying that I think one of the—this is a significant manifestation of one of the real problems I think in the Department, in that they haven't appropriated money or spent money for a training program. I think it is desperately needed to get everybody talking the same way out in the regions so the fellows don't have to get up like they did in San Francisco.

I felt sorry for the guy in San Francisco getting up before the Catholic fund raisers and having to admit he wasn't quite sure about this or that and that he got more information from other sources than he got from the Department.

Now, this is not criticism. This is something I observed. He was embarrassed and of course this reduces confidence in an audience, and it is a shame.

I think real money is needed here. I think real money is needed, and an advertising program, I think, Mr. Belen, you need an Assistant Postmaster or Postmaster General for Marketing to sit opposite from the facilities and transportation. I really think you need it now. You are a big business.

Mr. BELEN. There is no question but what we need some funds for training. We had just \$2 million put in our appropriations for training in one area where it is very important to labor management. Both the House and Senate took that out.

Mr. HOKE. I think this is a problem we ought to discuss. I would say if you are announcing a new product, you need \$60 million a year to advertise this job, because once you have advertised it, then your whole organization becomes oriented to the program, and enthused about it. The public does. We want to help on this thing.

Mr. BELEN. You are talking about a very real problem.

Mr. HOKE. One percent of your total budget should be put in advertising.

Mr. OLSEN. We got that point, and I would like to move on to a bigger and broader problem. I don't mean to shut you off. Mr. Woodruff, you had your hand up.

Mr. WOODRUFF. I think this is related to many of the problems we have in getting the numbers on the pieces, and while it was passed aside a few minutes ago. A number of cities were forced to deal with putting numbers on the pieces, and this is my major concern—of my company—and a major concern of many of my mailers whom I sell this to—the piece education program—the program he is talking about.

We would like to help you, we really would. We like to sit on the same side of the fence with you. I think every man in this room is agreed that a ZIP code is necessary, that some form of numerical sorting is necessary. There is no argument with the Post Office on that.

I would like to make that clear, about the education program. We talked about the cities that people are still using that they believe they live in. The communities that they have been brought up in, that they have moved to, where they bought houses, and the dollars are different from the next community because of the community name. This is true. This is a significant number. We can't brush this aside. You have not, in the ZIP code manual, given us the tools to use to ZIP code these particular communities.

It is a real problem, Mr. Belen. It is not a problem we can ever overlook. Your sorters, and your mail carriers are really sophisticated in knowing their regions, much more so than any one outfit. Whether it is mailmen or anybody else, sitting in one place in this community, can know the local problems. It is not possible.

Mr. BELEN. As I told you, there are but one out of five who had 1 year of service.

Mr. OLSEN. If I might interrupt here, I wonder, Mr. Belen, if it would be possible to have a committee of these experts work with some of your people on this particular detail of what can be done about the directory.

Mr. BELEN. Expanding?

Mr. OLSEN. Giving them in the directory a tool to ZIP code these prestige places.

Mr. BELEN. I would like, if we went into it, Mr. Chairman, to contact maybe a little larger group. I think this is a fair question—to see what our customers want in the way of a directory. I think that is a good question, but we have had your views here and you may want to formalize them and work with Bob Huse here, but I think we want to contact others, too.

Mr. OLSEN. We can't do this detail today.

Mr. Epstein is anxious to speak.

Mr. EPSTEIN. On the very same subject, there are, I believe, three companies that are now issuing and selling directories that include, if not all of these, a good part of these prestige names. Now, the problem results in a hardship to the listowner using the ZIP Code Directory because he gets to the mail and he can't find it. If he goes to the Rand-McNally or the MAC directory, he can find it.

Now, it appears to me that if these other companies can do this and market these books, then maybe the post office can do it, too.

Mr. BELEN. And probably do it better. Very frankly, at first flush, I would feel that if we had come out with 118,000 sources of ZIP code, then everybody would have criticized us for that. They say we have got 30,000 post offices and they have 117,000 places in

the book. But if this is what you want, I believe we should do everything, Bob, that we can to work it out.

Mr. KAUFMANN. I might make the suggestion——

Mr. OLSEN. Mr. Kaufmann?

Mr. KAUFMANN. I might make the suggestion that this might in itself go a long way toward helping the Department sell ZIP code to the public. If the Department can come to the public and say, "Technically your address is not an official address. However, we are good people and you go along with us and you put your ZIP code down and we will accept your prestige address for delivery. If you don't put the ZIP code down we cannot."

Mr. BELEN. I am impressed with that. As I say, the United Parcel man showed me, he went down his page comparable to our page, and there were a lot of insertions that he said his people needed to deliver.

Mr. KAUFMANN. Actually the private sources are still not as complete as the Post Office could ever be.

Mr. BELEN. Yes. We could be pretty complete.

Mr. KAUFMANN. I do work with this Mr. Nelson of Consumers Research on new moves and he testified before the committee at the last session.

Mr. BELEN. This has another advantage, too, because of the pressure for post offices. If they are in some official book it might be very helpful to us.

Mr. KAUFMANN. Right. This would be a tremendous help.

Mr. OLSEN. I would like to call for a break of about 10 minutes, and there is coffee in the hallway here. We will stretch our legs, and I want to ask Mr. Pool if maybe he could stay with us right until noontime. We would still be at the House by 20 minutes after 12.

Mr. POOL. Yes.

Mr. BELEN. So far we have arrived only at this periodic change in ZIP coding.

(Recess.)

Mr. OLSEN. Gentlemen, we wanted to get to the subject of procedure on hardship cases while Mr. Belen is present. This is one item. And then I wanted to get to a problem that Mr. Kaufmann, together with Manny Cohen, could point up.

I wonder which we could take up first. I would like suggestions from anyone.

Mr. KAUFMANN. Well, I might say that the point that I was going to make will cover an area of hardship as well, when we get down past this skeleton.

Mr. OLSEN. Yes. I think that the example of hardship which Mr. Kaufmann would bring up would point up the necessity for a procedure.

Mr. BELEN. All right.

Mr. OLSEN. So let us take up that hardship first.

Mr. BELEN. All right.

Mr. OLSEN. And then Mr. Pool has a statement to make, and then we will go to hardship procedure.

All right, Mr. Kaufmann.

Mr. KAUFMANN. All right. One of the areas where I think there is some problem, is in the basic lumping together of second class and third class under one regulation.

Now, most second-class mailers mail one list.

Mr. BELEN. Yes.

Mr. KAUFMANN. There are many third-class mailers that mail one list also. We have our own house list of some millions which we mail. In order to keep replenishing that list, we must mail even more names of those who have customer lists whom we are trying to attract, our prospects.

Now, we don't have a big problem in our own list, or in maintaining our own list and putting it in ZIP code order. We are on computer. So we have no problem in this area. I venture to say that we will be able to get around somehow, at whatever cost it may be, some of the problems in the other area.

There is an area where you mail many lists. These are not your lists. They are out of your control. These are some of the mailers who are going to be requesting hardships of the Post Office Department.

They are lists some of which are typed some of which are on computer and various and sundry categories. Some are small, some are medium, some are large. Some are predominantly east coast, some are predominantly west coast. Some are metropolitan areas. Some are rural areas. There gets to be a tremendous problem, even if every one of these lists is in perfect ZIP code order by the numbers, in mailing them, in trying to sort these lists together and combine them so that the mailer can deliver to the post office in one ZIP code segment, as is required of him.

It requires a complete sort. You must work each list and merge them together, and it is as if you didn't have a sort to begin with.

Mr. BELEN. What did you do before? You still had to merge them by destination.

Mr. KAUFMANN. Right. But it was merged on the basis of a geo-alpha. You didn't have a number. I am sorry, you didn't have a number repeating itself, a second time later on or having to take on an additional number. You could merge by an alphabet which people were familiar with.

I think that perhaps Mr. Cohen can fill us in more on this, because he is a sorting expert. I only know the problems and that it costs me money to get it done.

Mr. BELEN. Yes.

Mr. KAUFMANN. But this is a problem. One list is not a problem. But when you deal with many lists, and when they get a hardship, if that hardship is not granted to me as well, what do I do? I have to plan my campaign using these lists well in advance of the complete announcement of hardship.

Mr. BELEN. I think that is something we do have to consider, how far does the hardship extend, to one individual or to the use of it.

Mr. KAUFMANN. Right.

Mr. OLSEN. Now, then, Mr. Kaufmann, can we turn to Mr. Cohen?

Mr. KAUFMANN. I think that Mr. Cohen can fill us in more on the sorting problems that exist.

Mr. COHEN. Well, for one thing, to get back to the single list, which, as Mike said, does not represent much of a problem. I think there is one area we have left out in most of this discussion, and that is the fact that not every mailer can use every list.

You have got specialized areas in direct mail, and this is where a lot of your problems come in, because in a good many of these special-

ized areas, which even as an individual mailing may not be excessively large, the total of what goes on throughout the country—and you are talking about probably hundreds of millions of pieces of mail—in other words, if I want to mail an art piece, I can't just go out and buy, for example, as some people were advertising today, a sectional center list.

It sounds wonderful, but in that sectional center list I am going to get depressed areas along with very wealthy areas. The sectional center in that respect, as a market, is not everything it is cracked up to be, you see.

Mr. BELEN. As a matter of fact, I hadn't thought of it, but you know, if you got the full five numbers on the list that you actually use you can pick out the deluxe areas.

Mr. COHEN. No, sir. Your silk stocking district in New York is a classic example. You run the gamut from very poorest to very wealthiest with the same five digits running up the line, but this is incidental.

The point of this story is that a mailer will request you to mail a million pieces. This million pieces can consist of 200 lists of 5,000 each. What is making it livable with today is that when you do sort through our primary—and incidentally, I made the comment to Mr. Nicholson last week, that as far as I am concerned, when we get this number of lists in that have to be put together, it is just like raw mail coming in to the post office. You are starting from scratch.

Number one, you don't know what you are getting, as Mr. Kaufmann pointed out, you may have a list that is completely on the east coast. You may have another that is completely on the west coast. You may have one that is Central States.

I remember the classic example of a mailing that bounced because when they examined it they couldn't find any bags for the city of Chicago. The poor mailer calls up the client and says, "Gee, I don't know how to tell you this. They bounced the mail. I don't have any Chicago." He said, "How can you, it is a farmer's list."

Incidentally, this is a true story.

Now, our problem is, under present conditions, we can successfully put this together. You pull your States on the primary. You will pull your major cities next. You alphabetize the residue and then break down each letter of the alphabet. What makes it feasible is when you get past the very large cities you only need one mailbag per State.

You can do Alabama with one mailbag. I don't care how much Alabama you get. You can do the large State of California with one mailbag, but you are not going to be able to do it in January. You need 18 bags of Alabama. You need 35 bags of California. And this is where you come into your problems. And we are seriously wondering, for example, talking about costs, whether the cost of putting a ZIP on, plus the cost of doing this with the space you will need, with the fact that you can't do as much in the same amount of time, won't actually come out to more than the 40 or 39 percent increase that the piece rate represents over the bulk rate.

Mr. BELEN. Yes, that's right. You have that option.

Mr. COHEN. This is the problem.

Mr. BELEN. On the other hand, what you are talking about in California, for example, we would get it all at one spot and then we

would have to separate it out to the 35. You have got a built-in delay every time it stops.

Mr. COHEN. Well——

Mr. BELEN. Someone has to separate it to the 35.

Mr. COHEN. Right. But we are in a difficult position because here is what is happening. Let's say comes January on 100 lists of 5,000 each, 50 are ZIP coded, 50 aren't, 25 that are ZIP coded are in ZIP number sequence, 25 are in alpha-geo, 15 are in alpha-geo with ZIP numbers on, a few more are at random with ZIP numbers on. How do we mail?

Mr. BELEN. Well, I am going to ask——

Mr. COHEN. We asked one of your people——please, I don't want to mention names, Mr. Belen—we asked one of your people one time, "Well, what happens if we go as far as we can and we do have some residue?" He said, "That is too bad, because you have got the wrong kind of indicia in mail. You have got a bulk indicia and you can't mail it any other way."

Mr. BELEN. We do have to take care of some of the residue, I think.

Mr. COHEN. Now, we are sitting here faced with a situation that we just do not know how much we are going to do.

Mr. OLSEN. Could we have any detailed discussion with some of the experts in the Post Office Department concerning your own operation and an estimate of what that residue might be? Then maybe we could reach an answer on whether or not the Post Office Department could make an exception.

Mr. BELEN. It affects a number of our bureaus. I would have to process it out. It affects security and Mr. Riley's shop on that and Mr. Nicholson's. But I would be glad to explore that one point.

I think it is a very valid thing and I would like to know at least——

Mr. COHEN. I think one thing we can all definitely realize, we can't even begin to know anything along this line until the problem is resolved of getting the numbers on the mail. And here it is May and I have not been able to conduct a test to determine costs by taking ZIP lists because, whether it is due to the educational program, and I honestly think that perhaps outside of maybe the city of New York and the city of Chicago, I think the rest of the country doesn't even know what it is all about.

I can't get enough ZIP lists in to make a combination thing to try it out and determine costs. And this is what we are talking about when we say from the appearance of it, at this late stage, a lot of people are going to wind up going out of business.

How many of them are making the kind of profit that can absorb this 40 percent increase if the mail piece rate, plus the fact that it is more than a 40-percent increase in view of what the regulations say today?

The regulations say that when you mail it at piece rate you did exactly as much work as you do if you mail at the bulk rate. It says "as the postmaster may direct," which in a sense leaves us subject to 34,000 interpretations.

Mr. BELEN. I think that we certainly could look into that. I think if you are coming in with a 4-cent rate with millions of pieces, that we ought to require that you present them in the separations that you have now, and the sortations you have.

Mr. POOL. Why? Why do you say that you presort? You don't presort the small mailings, do you?

Mr. BELEN. I think if he wants to do it.

Mr. POOL. Why should he have to pay that? That would be discriminatory.

Mr. BELEN. Not necessarily.

Mr. POOL. He is paying 4 cents a piece and the small mailer is paying 4 cents a piece, why should he have to do anything else? That is the problem.

Mr. BELEN. He is just telling me the regulation says that he has to do it now. He is complaining about it. I am surprised at that. It certainly won't require that you have to be ZIP coded to get the 4-cent rate.

Mr. COHEN. The ZIP is 67. Let's take today. Any postmaster can require you to do exactly the identical same amount of work to mail at 4 cents as at the bulk rate. That is the way the regulation reads.

Mr. POOL. Is that the way it is in effect right now?

Mr. COHEN. That is the way it reads right now.

Mr. BELEN. So I say at least we ought not to require that it be ZIP coded.

Mr. McINTYRE. It doesn't say it is required to be ZIP coded.

Mr. COHEN. What I mean, Mr. Belen, is that the way that regulation reads now—

Mr. BELEN. Please.

Mr. COHEN. The way that regulation reads now, a postmaster can say, "I don't care if you have to look up every city address, I want you to give it to me by sectional centers."

Mr. BELEN. We will clarify that.

Mr. OLSEN. OK.

Mr. KAUFMANN. I would like to correct that point. It just says that the postmaster may require sorting by city and State. This only applies, however, to piece rate, third-class mail that has an indicia on it. If you put a stamp on or if you put a meter impression on, it does not require that the postmaster require you to do this sorting.

Now, this "may," "the Postmaster may direct," is a key problem, I believe, in the whole scheme of things. We have learned earlier that postmasters throughout the country look at the same thing and they see it differently. Sometimes they are influenced by the people around them. Sometimes they are influenced by their own degree of fairplay or what have you. But so long as you have interpretations in these major areas by the postmasters themselves, it is going to be discriminatory in some areas and it is going to present problems.

Mr. POOL. Do you have a rule on mailing? Does a fellow have to mail in his area or can he go to another post office?

Mr. KAUFMANN. I believe, it all depends. If you use a meter imprint you must mail in your own area. If you use a precanceled stamp, you must mail in your own area. If you use a printed indicia, you must mail in your own area. If you use regular stamps you can mail anywhere that you want.

But the problem exists in the different interpretations. I feel that this is another area where there are going to be problems on January 1

that you are going to have different interpretations on every aspect of ZIP code, and we are not going to feel the brunt of it until after they come back to us and after we find this. By that time many mailers will have been hurt or many of these problems will have been manifold many times.

Mr. BELEN. I think that one reason for this meeting is to get as many of these problems laid on the table now, so that we can be working on them.

Mr. KAUFMANN. Right.

Mr. BELEN. And as you, and particularly you, Pete, go around and find them, certainly you ought to, and I know you do, let us know about them so we can give them top attention.

The sectional center program itself, I think, is going to lend itself to uniformity of interpretation. Obviously we can't staff 30,000 post offices with classification experts, but in 552 I think we can begin to get uniformity.

Mr. OLSEN. Gentlemen, before we recess for lunch, we have got to hear from Mr. Pool, because I don't believe he can be back here this afternoon.

Mr. Pool?

Mr. POOL. I want to bring up this point. In Germany they have, I believe, a four-digit ZIP code; is that correct?

Mr. BELEN. I believe it is. I tried to get some information.

Mr. POOL. Of course West Germany is a great deal smaller than the United States. And I think they announced their ZIP coding in 1960, and they didn't make it mandatory until January 1, 1966. So they had about 6 years to get ready for the ZIP coding. When I was over there last fall they explained to me, and to the committee, that they did not want to make it mandatory. They wanted people to be educated to it, and at that time they said that they were getting about 85 percent compliance, by not being mandatory.

I think it did go into effect that it was mandatory January 1, 1966.

All this leads me to wonder about the time element on our ZIP coding and our mandatory date. As I recall, it was in February of 1965 that the January 1, 1967, date was first set for it to be mandatory, so that is about a year and 10 months' notice that it was going to be mandatory.

I think it was announced earlier, but no rules or no plans were set down in 1962, I think, when the idea first came out.

Be that as it may, I certainly think that I want to recommend to the Department that with all these problems staring us in the face that we should have an extension of at least a year to make this thing mandatory and I think to give the public a chance to get better educated, and the mailers, and to give the Department more time to work out their problems.

There may be some complaints from the mailers who have already gotten ready for it, but their gripes on it would not—it won't hurt them—and the people who are going to get hurt are going to get hurt very badly on this thing, in my opinion, from what I have seen of it.

I would like to go on record and recommend to the Department that at least a 1-year extension of this mandatory date be put into effect. I think that everybody will profit by it, including this Department.

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

Now I think we better recess until this afternoon, because Mr. Belen is going to be busy until 3:30.

Mr. BELEN. Yes.

Mr. OLSEN. I would ask that some of your people sit here, together with Mr. Irvine, and go ahead with getting these problems on the record. And then maybe you, Mr. Belen, could be here at 3:30, and I will try to be here, as well, at 3:30.

Mr. BELEN. Sure.

Mr. OLSEN. And we can then maybe get a summary of the major points that perhaps we can come to some agreement on.

Mr. BELEN. That's right, Mr. Chairman. Not only that, don't consider that this day is the final day. Our people are here and we are willing to conduct this kind of a session just as long as you people want to sit around the table.

I do feel that this session will bring out a format, if we have additional meetings, the kind where you ought to have something down in writing which you will leave with us and we can work out. We will meet once a week if necessary.

Mr. OLSEN. Well, I want to get to the question. I am certainly not overriding the suggestion of Mr. Pool, but in the event that you don't take Mr. Pool's recommendation, I want to be sure that out of this day's meeting, or a series of meetings of this kind, that we can come to an understanding on procedural determination of hardships and maybe develop some definitions of hardship and exemptions.

Mr. BELEN. Yes.

Mr. OLSEN. And we should do this at an early date, because many of the mailings are being planned right now for next spring.

Mr. BELEN. I have talked to the Postmaster General about this, and as I get his philosophy, he has as much concern—the same concern—that you people have, but he feels that the date, because of all the other commitments, will remain fixed.

But certainly he is not going to put himself in the position of being arbitrary or forcing anybody out of business. He does want to feel that everybody is working toward it.

In other words, you can't approach January 1967, never having done any more than you have as of this minute, and expect that he can consider that to be a hardship case.

I think you have to show that you are working toward it. Let's say, suppose your final target had to be, as an individual mailer, another year. You have got to show him what you have been doing every month to get down to this point. And I don't believe you will have any difficulty with the Department.

Mr. OLSEN. Mr. Pool?

Mr. POOL. May I say one other word?

Mr. OLSEN. Certainly, Mr. Pool.

Mr. POOL. Your statement then actually focuses more attention to the fact we should have an extension of the date of January 1, 1967, to say January 1, 1968, because you are going to get into more politics on these exceptions. Say a mailer comes in here and he is known to be a Republican, and you turn him down because he hasn't shown you that he has tried to comply.

Mr. OLSEN. Off the record.

(Discussion off the record.)

Mr. POOL. You are going to have more static over something like that, and I am trying to keep the Department from having to get into a position of having to decide these things.

If they give a year extension, I think you will eliminate most of your hardship cases.

Mr. OLSEN. Let us recess now until, let us say, 2 o'clock this afternoon. And we will have a coffee break at 3:30, when myself and Mr. Belen will come and join you.

Thanks again to everybody. We appreciate it very much.

(Whereupon, at 12:10 p.m., the subcommittee recessed, to reconvene at 2:10 p.m. of the same day.)

AFTERNOON SESSION

Mr. IRVINE. The Chairman and Mr. Belen will be back at 3:30. In the meantime, I think we can start taking up a few extra problems we might have on ZIP code. I would like to call on Mr. Maginnis at this point.

Mr. MAGINNIS. Well, Mr. Irvine, I thought the meeting went very well this morning and a lot of information got out on the table that needed to get out on the table. I hope we can get into some technical discussion on various problems. Our experts are here. One question that arose during lunchtime, and hadn't occurred to me before, was how long the Department's sectional centers have been in operation. I think the answer that we have is July of 1965. Is that correct.

Mr. HUSE. Yes, it is, Harry.

Mr. MAGINNIS. Our information, based on what the former Postmaster General, Mr. Gronouski, and again Mr. Nicholson before the committee a week ago said, was that the largest of the post offices would be sorting their outgoing mail by a complete five digits. I have talked to the chairman on this problem with the hope that he could take the committee possibly to New York, Detroit, or Los Angeles because if it is possible for these dedicated postmasters and workers to sort by five digits this great volume of outgoing mail, they may serve as laboratories for our members to come in and see how it can be done. Can we get any expression from the Department on that—on such a visit and whether they are sorting either by sectional center or by five digits?

Mr. IRVINE. I believe Mr. Huse has already visited Mailmen, Inc. Would you care to comment on that?

Mr. HUSE. That is correct. Actually, this is a question Mr. McIntyre should answer.

Mr. IRVINE. Is there anyone else here at the moment who has visited it?

Mr. HUSE. Yes, Mr. Briggs has been there.

Mr. MAGINNIS. We are talking about sorting mixed mail by large post offices. In other words, the concept is that there will be 552 sectional centers. And the great volume of mail coming out of New York, for instance, must go in a certain pattern. We have been led to believe by Mr. Nicholson and by Mr. Gronouski that a sort, to 5 digits, can be made of such mail.

Mr. BRIGGS. We have used digits on our cases at this time and in discussing them he could do either. And we get to a point where we are putting on the ZIP code. I think Mr. McIntyre put out the

issuance on this. I don't want to get too deep in it, but we are implementing ZIP code distribution in many offices.

Mr. HUSE. He is coming down. We will hold this one in abeyance.

Mr. MAGINNIS. Let's hold this one.

Mr. BRIGGS. I don't want to get in the wrong field. That is transportation.

Mr. MAGINNIS. We did get into a discussion again about advances made this morning with respect to the creation of a bible or ZIP code directory which would contain the names of the prestige areas, and so forth. I think, while we are on that subject, we might call upon Mr. Carroll, who is the one who has come up with the 112,000 figure. That is one he has found in his work with the computer. Can you comment on that at all? I mean Mr. Woodruff. I want to get to Carroll later on about his Holy Ghost Mission findings.

Mr. WOODRUFF. What we did was, of course, take every file we had and pull out every city we found in every file we had and attempted to ZIP it. Now, all this stuff we have on computer.

And the total bank that we built was 113,000 cities, which includes not a lot but some different spellings of various cities. I don't know what the exact total is. The Rand McNally book of 89,000 we wrapped against our file and we do have more than they do. So we know it is between 90,000 and 113,000. What the exact figures are I don't know. We have only taken two files at the moment. I have about 10 million names belonging to my customers that we were going to put on this file. What we will end up with is, I think, 150,000, various spellings and various cities. But this is only the city problem. We haven't even touched the street problem. We hope that, I would like to turn this over to Norman, but one of the troubles that we had of course was complying with the Post Office book of preferential spellings of the 13-character city record to comply with this, and to do anything on tape, of course, you need controlled discipline.

We told our girls this is the discipline. Whenever you come to this city, this is what you key punch. Then you take the post office tape and try to use it with what you have given us and you can't because the spellings in the post office tape are different from what is in your book of preferred city spellings. We need discipline to work with tape.

And the Post Office Department and many major mailers have said that ZIP coding is fairly easy on tape. It isn't easy. You can do it on tape. You can do it eventually. It costs a lot of money. What we are pointing out here I think, and I would like Norman to substantiate this, one of the problems that was built in for us, and I am sure you weren't aware of it, and we would like to lay it on the table and see what can be done with that. Do you want to talk on about this?

Mr. CARROLL. Well, to be very specific, as was pointed out, discipline is absolutely essential in terms of working with computers.

Mr. IRVINE. Would you explain for the record just why that is true.

Mr. CARROLL. Because you must work with specifics. There is no latitude permissible. Let's put it in this vein, if you put into a computer the town of McLean, Va., with the spelling, M-c L-e-a-n, and you have on another tape the city of McLean, M-c-L-e-a-n, without a space, those two are totally different places as far as a computer tape is concerned.

Mr. IRVINE. Yes.

Mr. CARROLL. This holds true, and let's go back to our beginnings with this thing, as far as the Holy Ghost Missions are concerned. Our every intention and every effort was to cooperate entirely with the Post Office Department. And so we endeavor to follow our procedure very much by the numbers, as set up by the Department.

As the first step in that procedure, after studying it for over a year, as to the mechanics of proceeding to ZIP and discussing it with our computer people, our first step was to call in the post office experts, the people that we were told to contact. This is the regional and the local public relations office of the Post Office Department.

We called them in, and had a 3-hour session with them. We went over the entire procedure that we planned to follow, from A to Z, in relation to ZIP coding. We received their complete approval of the steps that we proposed. We received a few suggestions, but very few I must say, as to means to avoid pitfalls in ZIP coding. When we had this meeting I was somewhat surprised to find that the representatives present, although they had a cursory knowledge of computer problems, it was really a layman's knowledge of computer operations rather than a technicians knowledge.

But, nonetheless, we took them at their word, the various steps that we were instituting were the proper ones to take.

Among these steps was to follow a standing contraction on all contractions of city names of standard abbreviations. And I was provided with a manual that set forth those contractions. The Post Office Departmental publication 59. And in the front of it it says, "No other abbreviations for city names are authorized other than the ones shown here."

And so when our keypunch people began to reduce our tape and correct our tape to make it compatible, as we understand, with the Post Office tape, I started out instructing my people to follow this manual, in all contractions of long cities. In tape, as recognized here, you are confined to a 13-position city designation. So any city that had a name longer than 13 characters, this was supposed to be the route to go.

Fortunately, before we got very far in it, I was also able to obtain a printout of the Post Office tape, their header tape, as we call it. I was somewhat shocked and astonished to find out that in the one publication that contains the authorized abbreviations or contractions we found one spelling for a city or contraction for a city but that contraction did not apply in the header tape.

In other words, the Post Office header ZIP code tape, master tape, did not have the same city designations as their manual.

Needless to say, this caused total confusion, because as we passed our names against the header tape, the "can't finds" the "no matches" began to drop out of the bottom. Yet, these were the very contractions represented in the tape and in the manual.

I marked at least the State of Alabama here and can count—three, four, five, six, seven, eight—eight erroneous or eight authorized contractions that do not appear in the official tape.

Now, while we are discussing this broad area of trying to work with the Post Office, we held this initial meeting in February of this past year. We established an agreeable time at which the most current Post Office tape for ZIP would be made available to us. We estab-

lished data a month in advance, and 2 days before the date that the tape was due at our computer center, we were advised by the Post Office that the tape was not available.

Gentlemen, this is a machine that we contract to use at a set fee for time on the machine. The tape was not there on the due day. It was not there the next day nor the next nor the next. And it was not there 30 days later. We were given the information that the quarterly update was not up from Atlanta. I don't know whether the quarterly update due in March has ever come from Atlanta. Maybe it has or maybe it hasn't. But in any event, after waiting for 2 weeks to get the Post Office tape, we went back to an antiquated tape of January.

What that has done to our program, I honestly don't know. But certainly some changes in ZIP code that are or were to be effected by using the most current tape, were lost to use in our initial step in the ZIP code.

When we have a contract to use a computer and there is a set fee and the computer stands idle we are liable to pay that money as a nonprofit organization, we still have to pay it. It came as quite a shock that our preparations and agreements didn't work out, and yet, certainly we made every effort to have them work out.

The next point of our problem—I will just continue on through—was that we went to the expense of printing up a special card for instructions through the Post Office in order to obtain multizone city ZIP coding or multi-ZIP city designations. I have a copy of the special card and in very large letters, right in the middle of the card, we provided a place where we hoped the post office employee doing the zipping would write the ZIP number down. Now, we did this, calculatedly, so that when our keypunch operators got the ZIP-coded card back, they would be able to put it in a keypunch machine, see the ZIP code and properly record it in the area where it was to be punched.

Unfortunately, many of the post office employees, did not utilize the rather prominent ZIP code area for writing the number in.

Instead, they wrote it all over the card. We were also led to understand that when we sent the cards out that there was a standard post office operating procedure for the way in which multi-ZIP cities would be ZIP coded and returned to us. We understand that when these cities, when these cards went out to the cities, that the employees would pigeonhole them in the proper ZIP area and that the cards would come back to us bundled with a cover slip on the first card and that all the cards behind that cover would be one city ZIP.

Let me try that one again. The cards went out into multi-ZIP cities. The post office employee was going to pigeonhole into, we will say, 30 ZIP codes within a city.

The cards would then be gathered and come back to us in 30 bundles, each bundle having a covering ZIP number on it, with the hope in mind that we would then be able to take the bundle—the 30 bundles—and gang-bunch them without any further handling or sorting.

Again to our surprise, we found out that when the cards came back to us they were turned every which way, the numbers were written everywhere, as I mentioned, but even worse, they were not bundled, they were all intermingled. The first ZIP would be 3501, 3502, 05,

all gathered in a bundle, which meant that someone then had to sit down and sort them out into the proper piles.

This seems to be such a needless thing, and I inquired to find out if there wasn't a regulation as to how these cards were to be handled. I was told there was. But apparently the people handling these in the local post offices, either are not aware of the regulation or they are not complying with the regulation.

Next thing that caused us a major problem——

Mr. IRVINE. Mr. Carroll, I beg your pardon. I wonder if you would like to hold right now. Mr. McIntyre is down from the Bureau of Transportation. He has a meeting at 2:30 and he would like to answer the two questions that were raised by Mr. Maginnis. Would you mind redirecting those questions, Mr. Maginnis.

Mr. MAGINNIS. Yes, this has to do with a conversation I have had with the chairman and the possibility that we can have assistance. In the long hearings on ZIP code, we have had the appearance of many top postal officials, including Mr. Gronouski and Mr. Nicholson. We have ascertained the fact that the sectional centers were established in July of 1965 and that this was the heart of the program; that mail would be separated and transported according to the sectional center concept.

It was then asserted by both Mr. Gronouski and Mr. Nicholson that the largest post offices with a large volume of outgoing mail would presort such mail by sectional center and in many cases by five-digit ZIP code sequence.

It is the hope of the chairman in my conversation with him, that possibly the committee can visit the New York City post office because, if your fine people are able to accomplish this complicated sort, including all the prestige towns about which we talked, of which there are 112,000, we might learn how to do the job easier ourselves. The question, of course, is are these cities presorting to the sophisticated degree that the Postmaster General and the Assistant Postmaster General told the committee it would.

Mr. McINTYRE. The only way we sort mail in post offices at all is to sectional centers. We do have two ways, one by people simply knowing the general scheme and the other by a ZIP code.

Both produce the same results. Now, we are moving into the use of the three-digit ZIP code for sectional center sorts, just as rapidly as we feel like public compliance justifies our moving into it. We have just recently run a check to see how much compliance we do have and we find that our people are picking this up very fast. It is proving highly advantageous to us, particularly with the things mentioned this morning, about our turnover. We simply cannot get qualified people on the general scheme.

So even in States where we would like to have scheme knowledge continued in use until we get a higher level of compliance, we are rapidly moving into ZIP code and there is only one deterrent to complete use of the ZIP code, and this is simply public compliance.

Mr. IRVINE. That is because people are not putting the ZIP code on their mail.

Mr. McINTYRE. Yes; that is right. This makes it much easier. Somebody just a few moments ago showed me an article from the Washington Post this morning, in which I scanned and what I saw seemed to explain this situation quite well. Every single post office

in the country, which is authorized to perform a secondary distribution, which is of a certain size, of course, is required to use the ZIP code, if they have 350 letters of residue mail for States not now worked by scheme.

I hope there is no misunderstanding on this scheme versus ZIP code. Scheme is the only way we have had up to ZIP code, and we were limited about how we go about it. So we are continuing it, until we can rely completely on ZIP code and this depends only on getting the numbers on the mail. So we have every post office instructed to use this if they are performing a secondary. Now, we don't authorize secondaries in very small ones because this becomes costly from the manpower standpoint.

But all of the larger ones are using it just as fully as we possibly can, or at least they have their instructions. Some of them today have not implemented their instructions because of a shortage of space. But there is a high degree of implementation and really significant advantages.

Actually, right now underway, Birmingham, Ala., today, is working 50 States by scheme ZIP code. In that case, a very large percentage of this is by ZIP code. This is one place they have been able to go ahead. I think Memphis, Tenn., no, not Memphis. I have forgotten. Birmingham and one other office down there, I remember in their report, have done an outstanding job. We are trying to bring all the others in line.

Just as these facilities, problems are standing in our way. I might say with reference to the five digits, we also see progress here and possibilities. In Boston, for instance, we have recently required them to take up a complete five-digit sort of mail for New York. This is going to help us here. Now, I think that we don't know how far we can go with that. We can, in many instances, if we can get the mail into the city of destination for the fourth- and fifth-digit source, we can do better at other points. But I am sure there is a future here. We are doing it in several other cases, using the fourth and fifth digits in the outgoing sections of post offices other than office of destination.

I don't want to talk too long here, but I want to be sure I am understood.

Mr. MAGINNIS. There is one other comment. Just as a layman listening to you, you have really itemized the exact problems we face.

The need for additional space, the need for more numbers on the mail on these mixed, merged lists. We have these problems, but we have a mandatory requirement to do it or pay a higher fee. I think Mr. Cohen can comment.

Mr. COHEN. The comment was simple. You have just said that you are doing what we are asking you to allow us to do. You are implementing gradually.

Mr. McINTYRE. Well, sir.

Mr. COHEN. You are not implementing, off the edge of the table, on a specific date. You recognized that you have a problem in implementation. Now we are asking you to recognize that we have the same problem in implementation, and let's go into it gradually.

Mr. McINTYRE. I think we are mixing the facts a little bit here. What I said was if we can get ZIP-coded mail, that is the answer. This is what we want to do. Now, I think you do have ZIP-coded mail. Isn't that true?

Mr. COHEN. That is not so, sir.

Mr. IRVINE. Well, the ZIP-coded mail that you are talking about, the mail that you are really concerned about, is first-class mail, is it not.

Mr. McINTYRE. We are using ZIP code on other classes as well. We are using it, certainly extensively, on parcel post and on any class of mail we use ZIP code if we are working it at a point where we don't use general scheme. As I say, we have to use a general scheme in the post office even for what you don't have ZIP coded, if it didn't have the code number on it.

We must have that to fall back on. This is not in any way, it seems to me. I don't understand your point at all. We certainly must do that. Now, if it can get ZIP-coded mail, well, our problems are, this hits completely our entire distribution plan, our entire transportation plan is based upon the ZIP code today. Our general scheme shows sectional center distribution. This is the only way, except a few exceptions which I am sure Mr. Cohen is familiar with, we handle this. This is the basic structure.

Mr. KAUFMANN. May I ask a question. Is it the intention of the Post Office at any point—let's say you have 50 or 75 percent compliance with ZIP coding on first-class mail. Is it ever the intention of the Post Office to require the New York City post office or the Boston post office to sort by five digits for cities in California, for cities in Oregon, for cities in Texas, for cities around the country?

Mr. McINTYRE. Well, I already mentioned the case of Boston.

Mr. KAUFMANN. Well, this is in the regional area.

Mr. McINTYRE. I don't know how far we are going to be able to go in that. But we have discussed it in the Department. We have discussed it with Mr. Hahn, who is not here—the possibility of our going very extensively into this. I think we will do it as the need develops. I think here, as Mr. Nicholson pointed out in his statement, there is some difference here between our internal application of this and yours, but certainly no inconsistency in the philosophy at all.

Mr. KAUFMANN. May I just ask one further question. If I understand this correctly, the primary advantage of ZIP code is in bypassing the big bottlenecks throughout the country, the chaos, and the gateway post offices and what, and to spread this mail to the sectional centers around the country. Is that not correct.

Mr. DORAN. Partially. There is another aspect if you want to go on.

Mr. KAUFMANN. My point is this, that would you agree that this is where the largest areas of gains are to be found.

Mr. DORAN. No; not limited just to that.

Mr. KAUFMANN. Where would they be then?

Mr. DORAN. Add to that the limited numbers of sortations that take place from the time we receive it until the time we deliver.

Mr. KAUFMANN. Is it not possible that people who are in a sectional center can more efficiently sort mail to the outlying point of that sectional center than somebody in another area, somebody in New York, let's say, or in another far point?

My point is this, might it not be more costly to have the mailer make this sort than to have the post office, which is familiar with the area, make this final sort, and might it not be better to charge the mailer more money on that basis?

Mr. McINTYRE. Mr. Kaufmann, I do have to leave. I would like to make sure I make one point clear. We are using ZIP code today. We are eager to use it, just as far as we can go with a level of compliance we have, and there isn't any limit beyond which we don't want to go—and certainly, and beyond which we will go, as in developments, and one more point here. The further we go in working on improvement of the postal service, the more clear it becomes that the maximum amount of distribution in the origin area, whether it is in post offices or mailers' plants, is necessary to the most reliable, from the standpoint of scheduled arrival and the fastest service.

The maximum distribution of the origin points—this is possible to us only through ZIP code. And this rule and philosophy applies at origin. If this plan for any post office in any location—

Mr. EPSTEIN. May I make one brief statement before you go, please. You are asking the mailers to sort for the entire country to five digits, but I don't know of any post office installation that is sorting to five digits or will sort to five digits for the entire country.

Mr. McINTYRE. Well, I think that this becomes a matter of involvement. That is what I have been speaking to. Whatever volume we can generate at the point of origin, we will want to finalize just as much as we possibly can.

Now, we have a matter of we have to maintain installations at both ends of the line and we have to use them in the most efficient manner. I don't think that interferes at all with the philosophy that I stated of maximizing distribution at origin point by ZIP or scheme point in post offices or mailing points. But we certainly do have to use our two ends of line efficiently.

Mr. IRVINE. Thank you very much.

Mr. McINTYRE. I am sorry I have to go.

Mr. IRVINE. Joe, did you wish to go on.

Mr. DORAN. No. Do you wish to continue this point?

Mr. IRVINE. If you wish to continue this point, please go on.

Mr. EPSTEIN. I would like to continue this point. May I?

Mr. KAUFMANN. Go ahead.

Mr. EPSTEIN. It is my understanding of the sectional center concept that the mailer breakdown his mail as fine as possible so that it gets to the sectional center without having to go through too many handlings, and each sectional center will take mail and break it down for other sectional centers where it will be moved on to these other sectional centers. I don't know of any sectional center—and maybe somebody can tell me—that is breaking down the mail to five digits for the whole country. And yet this is what the mailer is required to do.

I think we have an example here of the Post Office saying "do as I say, not as I do." Now, if we were permitted—and this is just a suggestion, and I don't know how valid it is—to break down our mail by three digits only, would we not accomplish what the Post Office really wants and that is to get the mail in sectional center sequence and distribute it by sectional center?

Mr. DORAN. That would be part of the job. But there would still be distribution that would have to be done beyond that point.

Mr. EPSTEIN. And the best people qualified to do this distribution beyond that point is the local post office or sectional center that is familiar with every little situation in that locality.

Mr. DORAN. Let's go on. Do you want to go on from a practical standpoint or from a philosophy standpoint.

Mr. EPSTEIN. Well, I would hope that they are both not mutually exclusive.

Mr. DORAN. If it is a philosophy standpoint, at the point of origin if there is a capability of sorting, primarily we are addressing ourselves to the large offices, the heavily populated areas, the continued sortation to branches. To zones within cities is another step which will permit a delivery direct to the branch, direct to the carry station, eliminating number of handlings by us. Now, I am talking from a philosophy standpoint.

What we are asking for is the maximum presortation done at the source of origin that can possibly be attained for the purpose of moving this mail swiftly or another purpose of preventing, hopefully, additional handlings for our postal people. This relates right back to cost. So if you are talking philosophy of this, you can say, in effect, "let's have the Post Office Department do it all." Then we are in a cost factor, then you are in a rate factor. So you can carry this from a philosophy to as far as you can take it.

Mr. EPSTEIN. Let's carry it a little further and see what it means to the mailer as far as costs are concerned. You have to distinguish between a mailer who is mailing one list in ZIP code sequence where all he has to do in theory is tie off to the finest degree, and he can without any undue economic hardship. But this same situation does not exist for the mailer that is handling multiple lists. He has got a tremendous economic problem. I don't think the Post Office, in setting up their rules and regulations for sorting, has taken this factor into consideration at all. You have applied a system. You have come up with a system that works fine for some people. In our opinion, and we can prove it, it does not work well for all people. This area of problem represents a hardship to many mailers, and to many of our clients.

What we are saying here is suggesting that possibly in situations like this we would be permitted to go to three digits in our sort, giving the post office, to the best of our economic ability, what it wants. We are asking, if possibly the post office would consider accepting this sort to sectional center, where it cannot be done economically to the five digits.

Mr. DORAN. May I point out one thing, remember that anybody who is at all aware of the ZIP code system is also aware of the fact that the finer that he sorts his mail the better delivery he is going to get, the faster delivery he is going to get. If this is very meaningful to him, and especially in the case of a single list where you are mailing to your customers, perhaps, or in the case of a second-class publication where timing is so important, this then is motivation enough to get that person to sort down to the five digits.

In the case of other bulk mailers, whether other lists are involved, you have four, five, six, or eight lists to merge together. The time limit of getting that delivered a day or two sooner is nowhere close to the extra cost that is involved in sorting to the five digits and then to the sectional centers and then to the mixed and so forth, as is required currently. To merge these lists and to mail them under the three digits would be more costly than we are now doing, but it would still be a reasonable solution to those who are mailing more than one list at a time. I am sure that this has been thought about by our people.

You are asking for a change in the approach to the utilization of the ZIP code. I am sure that when this record is completed, it will be something to consider, but I cannot give you any encouragement.

Mr. KAUFMANN. No. I am just offering this as a possible solution, as a tremendous problem area for many bulk mailers. We must all remember that the majority of the bulk mailers are not as concerned with getting a day sooner delivery. If they want to get a day sooner delivery they will mail a day sooner. This material is not of time value or anything of that nature.

So if they know that the mail is going to take 10 days to deliver and they want it delivered approximately on a certain time, they will mail it 10 days sooner. Also, the fact remains that there are lists that are beyond their control and that have different aspects than their own list.

These are lists, as I mentioned earlier today, that may involve rural or metropolitan, east coast, west coast, and what have you, so to merge these things on the basis of a five-digit would require holding out your mailing lists on one day—you have got to hold out every one of those four lists for an area before you can close a bag and ship it on its way. If you are merging on the basis of sectional center, you have, maybe, 28 sectional centers within a State, it becomes much less of a problem.

Mr. NICHOLSON. I have to point out, because I am that uncomfortable character that does, I guess—it isn't just time of delivery. Any sorting you as a mailer do not do, the post office does, and to the extent the post office undertakes work that it otherwise would not, is cost change. So there has to be that inevitable relationship between what is the compensatory rate that the post office charges for the work it does. If the work doesn't increase the rate logically follows.

Mr. KAUFMANN. Well, this is true. But of course, in every sense of the word, the ZIP code regulation is the way they are right now taking out of the hands of the post office many, many moves which the post office is now doing for the money that we are paying to get our mail delivered. These are being passed on to the mailer. So simply, when we talk about not having a postal rate increase, we have, in effect, a postal rate increase right now—

Mr. NICHOLSON. Absolutely.

Mr. KAUFMANN. By having to go through these extra costs, and these are not one-time costs. Even if putting the ZIP codes on the list were a one-time cost, which they are not—they may be to a great degree—but they are certainly not completely. I would say it is closer to 50-50, whether they are one-time cost or a many-time cost—even if these were a one-time cost, the sorting costs are in every-time cost.

We might say, "Let's forget about the headaches of requiring this extra sorting. We will pay the \$2, and let the post office continue to do it that way."

Mr. NICHOLSON. I am suggesting that the total cost incurred by the post office for bulk third-class mail will be a certain amount. If some mailers presort to five digits and others presort to three digits, the mix of cost will be greater than if all mailers sort to five digits. Thus, a rate set for the class as a whole might be higher than warranted for those that sort the five digits, and lower than warranted for those that sort to three digits.

There is an inequity in that mixed bag for some mailers and in a sense they will benefit other mailers.

Mr. KAUFMANN. This is very likely true, but when do we start watching this on an individual basis? The rate has been based upon an averaging out of costs. There are many costs that are involved for the nonprofit organization and—

Mr. NICHOLSON. Not in the category that we are speaking of. The cost I am speaking of would be commercial or regular rate, bulk third class.

Mr. KAUFMANN. Except that these are reflected in the total third class. In other words, we don't separate this area for total third-class mailing. The fact is that there is a different rate here, and they get different service, and in other areas they pay a little bit more because of this extra.

In other words, we don't get it down to the fine point of how much we pay for the service we get. Nobody has put a value on the amount of delay that is involved or the advantage to the post office of having this delayed mail, mail that can be worked at the mailers convenience, at the post office's convenience. This is also a partial factor in the total rate structure.

It is not only the amount of work that the post office does, but the preferential handling of the mail that comes in to play here.

Mr. NICHOLSON. That is correct, but superimposed on top of that structure that you suggest, there is a nonuniform imposition of cost on the Post Office Department by mailers of the same rate category, regular rate bulk third class, if some presort to one degree, or another presorts to a different degree.

There is just as many voices that have been raised that we are a small businessman and so on and can't afford it. Those who can't afford it or can't convert in time, they are having the advantage of a rate that is to a certain level because many other people are presorting and keeping the total cost down by their contribution. I am only suggesting that it's not just a one-way ratchet. The rate is frozen and now you do more or less depending upon convenience and practical ability and so on. I feel that if the rate is fixed, there should be uniform compliance, so that one type of mailer does not get an advantage at the expense of another type of mailer.

Mr. KAUFMANN. Well, there is already an advantage there. I am a large mailer, so when I talk now I am talking really out of both sides of my mouth, but I am looking at it from the point of the small mailer. There are many small mailers who will have to pay twice as much, three times as much, or even four times as much to comply with the ZIP code regulations right now than the large mailers.

Mr. NICHOLSON. Per thousand.

Mr. KAUFMANN. Per thousand. And the large mailers can better afford it. So what the effect is here, by treating large mailers and small mailers as being the same thing—by treating mailers of a single list and mailers of many lists as being the same thing—we are tending then to force out the small mailer and to help enlarge the big mailer. We are creating bigger and bigger businesses, and eliminating the smaller and smaller businesses.

Mr. NICHOLSON. The other side of that coin is that the small mailer, because he has, let's say, 200 pieces, the sorting that he does is mainly miscellaneous. It doesn't have the economies of presortation, so that

the small mailer for the same rate actually requires more service from the Post Office Department than the large mailer.

Mr. KAUFMANN. Well, a small mailer and a large mailer is a relative thing again. Now, if you take an O. E. McIntyre, or a Mail Advertising Corp. of America, where their list size is somewhere in the neighborhood of 40 million pieces and where each time they mail this they are mailing 40 million pieces, the total that they mail may be 200 million or 400 million or 600 million. This is a big volume.

Now that 40 million, mailed by somebody else, may be the combination of hundreds of thousands, of five-hundreds of thousands, and what have you. It totals up to the same 40 million.

But you're asking this mailer to take all of these lists and merge them together, and to do the same thing that this mailing house has that has one list, which they don't even have to change more than once a year.

This in itself is an inequity uniform interpretation and the uniform application of the ZIP code regulations to second class and to all kinds of third class, whether it be a one-list mailing or a multilist mailing. No matter how you look at it, there are going to be some inequities. What I am trying to do is find the minimum of problems.

Mr. Irvine. Do you have a comment?

Mr. MAGINNIS. I have a comment. This, of course, is a congressional hearing and the committee has before it five bills. The bills, as originally introduced, talked about incentive rates. We really were in a rate controversy at the time the committee first convened. The Olsen subcommittee has reported out a bill by 5 to 4 to extend the date of mandatory ZIP coding to January 1, 1970. It is the hope of our group, certainly, that the subcommittee will go to the full committee, and finally to the floor of the House and to the Senate, and let those bodies decide how the ZIP code issue shall be handled.

With respect to the idea that ZIP coding should be used as a revenue raising measure or to set rates of postage, is of course anathema to Congress. I have sat through 22 rate hearings and both the House and the Senate had extensive hearings on the raising of revenues for the American Republic. We can appear in an orderly fashion on any rate bill and argue the points that are being discussed here about the small mailers versus the large mailers, and I would think that the Congress would take a different attitude about what rates should be.

We, for instance, discussed here this morning the difference between $2\frac{7}{8}$ cents and 4 cents single piece rate, an increase of 39 percent. We have a choice under this rigid regulation to go for a single piece rate, but nobody has mentioned the fact that the nonprofit mailer goes at a cent and a quarter, and that he has no favored rate at the single piece rate.

If he has to go at the 4-cent rate, his increase in postage is 220 percent. Now, we know, as observers of the political scene, that whenever there is a rate bill before Congress, we have religious leaders, we have labor leaders, we have all kinds of nonprofit leaders come to the Congress, and I think the Congress would look with jaundiced eye on any suggestion that a nonprofit organization be required to pay 220 percent more postage simply because it could not accommodate itself to the rigid ZIP code system.

So what we are trying to do, as I understand it, is to develop in these hearings the difficulty of complying with the system. I think we are all agreed that the system is necessary.

Now, before the gentlemen left here we were developing a very important point about cooperation between the Department and the mailers in getting the numbers on the mail.

Mr. Carroll was talking about his experience with the Department's own tape. Now, Mr. Hoke brought down the Postmaster General's fine statement of all the moves he is going to make to familiarize the American people more and more with the importance of ZIP code; and he points out about the \$1.50 a thousand nominal fee that is now charged mailers to get these cards ZIP coded.

Mr. Carroll has talked about that. We got away from the main issue of the one sophisticated area, where the experts can get together, and that is the Department's own ZIP code tape that the Holy Ghost Mission is using. We haven't gotten an answer to the question whether that tape is good, because now the postmaster general says an updated master data processing ZIP code file also is available. I am sure Mr. Carroll would like to know whether there is some new tape which he can get now. He has tied up his computer time and he is trying to get his list in order.

The Holy Ghost Mission would like, on January 1, to be in order. Now, have we an expert from the Department here to tell us whether Mr. Carroll is right or wrong about the Department's ZIP code tape.

Mr. IRVINE. Well, I think you are right. I think earlier we went into an academic discussion here. I would like to get back to Mr. Carroll. I was going to apologize to him, but I won't now because Mr. Nicholson has since come in, and this is an area within his judgment, as I understand it.

I would like Mr. Carroll to briefly review his problem and take up where he left off.

Mr. CARROLL. I would be glad to. Specifically, the way the discussion has developed, we were talking about two areas of a problem. The first area is the area that I am addressing myself to at this time, and that is the idea of getting the correct number, ZIP number, attached to a person's name.

Frankly, we haven't started to climb the distribution mountain yet. We don't know what we are going to get when we begin with that, and we are not concerned about it, because we can't get the numbers on there to start with.

As I said before, we made every effort to work as closely with the Department and with the Department's public relations people as we possibly could. Yet, despite these efforts and a lengthy conference, areas developed in the use of the Department's tape that shouldn't have developed. There was no reason for them to develop, and item No. 1 in the area was this idea of contractions of cities. On the one hand, the Department produces a manual that says, "This is official." On the other hand, they give you a tape that says, "This is official," and yet, the two official documents don't match up. This may seem unimportant, in a sense, to people who have unlimited time and facilities to make these things come together, but when we handle a list of persons who are the supporters of the missions, and we find that we potentially are going to lose 10 percent of that list because of an inability to get their ZIP code numbers correct, this is a very critical situation to us, and yet, that is exactly what has developed.

So, item No. 1, the comment as far as I am concerned is that the ZIP code tape that is now being distributed by the Department is not a good and valid tape to the extent that it could and should be.

Item No. 2, the person or company endeavoring to use this tape is not advised going in, of some of the steps that they can reasonably take to reduce this area of losing of names or failure to match names.

We went into this proposition with the idea that without bringing Rand McNally or anybody else into this thing, that with reasonably conscious effort, using the post office facilities and our own facilities, that we could ZIP code our list. That hasn't proved to be the case.

The tape is not complete. The situation of branches and stations we found could be handled, but only after a second complete pass-through, when we had finally gathered additional information from the Post Office Department as how to handle branches and stations which really involved going back to the old finance numbers published in the old Post Office Department city-State directory of years ago.

That finance number is on the master tape and you can get to those city-States by going back to that old five digit number.

But we didn't know this. We weren't told this. Frankly, the people who are out telling potential users how to use a ZIP code tape, they didn't know it, and some of them don't know it today.

The next thing, when you come to mismatches and try to find out how to handle them, no one can seem to tell you how to properly handle them. For example, I was a little astonished to find out that addresses that I assumed to be perfectly valid, and that the user assumes to be valid, are not valid, I found out that there was no such place any longer as Tuscaloosa, I mean as Texarkana, Ark.—Texarkana, Ark., had become Texarkana, Tex. Frankly, I called the Post Office, the public relations department, and I said, "Are we supposed to change the State that these people reside in because the ZIP Code Directory, when you look up Texarkana, Ark., says to see Texas. What is the legal address for people who used to live in Texarkana, Ark., and whose mail used to go to them addressed Texarkana, Ark.? Is it Arkansas, or is it Texas?"

The gentlemen who, certainly, I have had very pleasant relations with—the relations have concluded the answers. I don't know to this day whether I am required or whether the Holy Ghost Missions, with the people who reside in Texarkana, Ark., should be addressed Texarkana, Tex., with the ZIP code, the proper ZIP code of Texarkana, Tex., or when they should be ZIP-coded Texarkana, Tex., and addressed Texarkana, Ark. I am totally confused.

The next aspect in terms of locating names and the proper numbers for those names comes down to post offices that used to be in existence, have been discontinued but whose names are still being used. It seems to me, that on a magnetic tape, there is ample room to include discontinued post offices with a reference to their current ZIP code number.

The matter of the prestige address; you have gone through your tape, through the match, and you still have a considerable volume of no-matches. You try to find out where these people live now. This is the Chevy Chase, Md., problem, or the Tulip Hill problem. No one has told me how I should handle these or how I can get the correct ZIP code number for these people.

These are the questions that, as one group trying desperately to comply with ZIP code regulation, I would like answers for.

It seems to me that answers are possible. It seems to me in keeping with the redefinition of present instructions could come a republication of a ZIP code directory. It seems to me that there could come a substantial modification of the Post Office magnetic tape, and in that modification, because I consider that magnetic tape the master tape, the key to the whole numbering problem, it seems to me that that tape could accommodate such little problems as McLean, Va., with a space between Mc and Lean, and McLean, Va., without a space between Mc and Lean. That doesn't seem to be too much of a problem to build into a tape.

It seems to me it could accommodate, certainly, the recommended post office contractions of city names. Now, none of these seem to be too much to ask of the Post Office rather than asking it of Rand McNally or somebody else that produces a \$70 or \$90 directory. That about covers our position.

We are very anxious to cooperate in every way we can and have made every effort, I think, to cooperate.

Mr. IRVINE. How far advanced are you in converting to ZIP?

Mr. CARROLL. Well, we have gone to the extent now of beginning to merge back into our deck the cards that have been returned to us from the local multiple-ZIP cities. We have not, as yet, made a count on how many we haven't gotten back. We are going to do that when we merge our entire list and begin to mount the new ZIP code on our master tape.

We are still in midstream, so to speak. We are paddling pretty good, but I don't know whether we are going to make it to the other side.

Mr. IRVINE. Well, assuming you get all the help you need, would you be ready by January 1?

Mr. CARROLL. We will have numbers on it, but I don't know whether we are going to be able. These problems of distribution that have been discussed are pretty substantial, it seems to me; but as far as getting numbers on them, yes, we will. It will have taken us approximately a year to do it.

Mr. IRVINE. Mr. Nicholson, would you care to comment on this tape problem.

Mr. NICHOLSON. I am not a programmer. I would be glad to have you talk with the man who wrote the program. It was my understanding that our tape had a variety of spellings and contractions.

Mr. CARROLL. It does, it does that, Mr. Nicholson.

Mr. NICHOLSON. It is also my belief that the ZIP code and the tape were produced from the same basic tape. So that I am at sea as to why the magnetic tape should have had some forms that were not actually used in the ZIP Code Directory.

Mr. CARROLL. Well, I have a printout here of the Post Office master tape, at least the first couple States, and I have the POD publication 59. And specifically, as I mentioned earlier, even in the State of Alabama, the sixth city in this recommended contraction group happens to be a place called Bladen Springs. When you look up Bladen Springs in the Post Office printout, there is no S on the official tape. I am sorry, there is an S on the official tape. There is no S on the recommend contraction. That becomes a dropout. It doesn't match.

I can tell you that throughout this book the S on Springs, every time a community has the last title of Springs, the recommended contraction drops the S and not a single time does the tape give it without the S.

So every Springs, no matter where it is in these 50 United States, is a failure to match. Almost every time, the Post Office tape does not skip a space between a Mc and another city.

It does not skip the Mc.

Yet, almost every time you see it printed, certainly every time we have punched it in the past, we have made a skip between Mc and the name of a community. With all of those alternates that they give you, as to contractions, they didn't give us that one.

It seems like a pretty good one to take into consideration.

Mr. NICHOLSON. What percentage do you think those mismatches are, because of a failure to agree on the tape with the contractions or with Springs?

Mr. CARROLL. Of what percentage of our list.

Mr. NICHOLSON. Yes.

Mr. CARROLL. I would say about 3½ to 4 percent.

Mr. IRVINE. That is quite a lot, isn't it?

Mr. CARROLL. It seems to me it is. Another area.

Mr. NICHOLSON. It is converting the remainder.

Mr. CARROLL. Of mismatching.

Mr. NICHOLSON. It is converting 96 to 97 percent.

Mr. CARROLL. No; it is failing to make on those contractions to that.

Mr. NICHOLSON. On multicoded cities.

Mr. CARROLL. In all aspects, it is failing to match to approximately a 15- to 18-percent factor. And this is because—for example—I was as astonished to know that there is no such place as Hot Springs, Ark. The Hot Springs, Ark., though it is on the map, according to the Post Office the name of that area is Hot Springs National Park. There is no Hot Springs, Ark. So all of the people that we have been writing to for years, and who have been answering for years, don't really live in Hot Springs, and they don't know it.

Mr. DORAN. I guess maybe this is part of discipline. If we want to arrive at the computer.

Mr. CARROLL. That point came up earlier.

Mr. DORAN. And the knowledge of computer operation, maybe it is a matter of discipline. This is a problem. We admit it. We know that there are many Government boundaries. There are many communicable areas where the builder and/or the local government has, on its own initiative, identified the geographic area without coordinating it back to the post office for which it serves. We went over this in great length this morning. Hopefully we can attack this problem as it was described this morning.

I question in my mind if it is ever going to be disciplined to such an extent that it is a cut and dried issue.

Mr. CARROLL. I would agree with you there. The only problem I have, with the comments made this morning, was to the effect that it was the mailers' problem to provide the correct address rather than the person who lives there finding out where he really lives.

It seems to me that considerable more effort should be, if we are going to follow this route, that more effort must be made to at least

spread the burden and encourage the individual, the member of the public who is writing, to find out where he lives and to use that correct address.

Now, the other problem—and this is just one more step down the line—all of us like to avoid, both as mail recipients and mail users, the duplication problem. The duplication problem has always been aggravated by the prestige address or the use of city or branch designations. This has always aggravated the duplication problem, because at one time you may have received a person's name and they—say they live in Washington, D.C. The next time you will find they write back and this time they live in Chevy Chase, but it is the same address. This leads to the problem of getting their name on the list twice, which all of us have before, both as recipients of duplicators and senders.

Our list heretofore, with the Holy Ghost Missions, had been mounted on the basis of the old post office five-digit number system. So that we had our list put together, where—using Birmingham as an example, although I see the gentleman who referred to Birmingham is gone—where such places as Homewood and Ensley, which are parts of Birmingham, were all in the master Birmingham file.

They all had the same five-digit post office key number, so they were all in one section of the list.

A year ago the post office said to us, "No, you don't want to use that any more. If you have 10 or more Ensleys, or 10 or more Homewoods, you must break those out of Birmingham."

And so all right, Holy Ghost Missions pulled their mail back and even though we had been using the key number system to tie, we went to the considerable expense then of pulling out the Homewoods and the Ensleys and tying them separately. This is what the post office asked us to do. It had been our understanding that under the ZIP code situation this would be alleviated. But in essence it is not going to be alleviated, because—and this is something that is very important to us. Let's assume that we have a gentleman or two people next door to one another, and one of those people sends mail back to us, Birmingham, with their street address.

The next one sends it back Ensley with their street address, and they are next door to each other. They have the same ZIP code. I am advised that both of those addresses are acceptable to the post office, for delivery purposes.

Now, then, are we going to be told that at some later date that that still isn't good, we have to go back and change every person whose address is Ensley to Birmingham, or every person whose address is Birmingham to Ensley. Or are we going to be forced to address the piece according to the ZIP code number or not? This we would like to know because it is very essential to us at this point.

Mr. DORAN. It would end up being in the same bundle wouldn't it?

Mr. CARROLL. It would, and yet you have got a situation of—

Mr. DORAN. Then it would be delivered.

Mr. CARROLL. Yes, it would. Is it going to be handled that way?

Mr. DORAN. It goes to the same unit—anything that would come through in the same bundle would end up at the same station.

Mr. CARROLL. Regardless of the name of the community that is shown there.

Mr. DORAN. Let's not. You want to try to pin me down on this issue, yet at the same time you are saying we ought to take a real hard look at these prestige areas and try and come up with an answer.

Mr. CARROLL. All I want to know is which way should we plan going.

Mr. DORAN. The way to plan to go is with the number within your system and hopefully, as we described this morning, we will put a group together and we will explore in depth this problem that we are faced with on the prestige areas. This is my understanding of what came out of this morning's session. Is there concurrence in that from my people, from the Post Office? Is that what came out of this morning?

Mr. CARROLL. Certainly if that is the plan that is followed, it will help immensely in terms of being able to identify the whole group of unidentifiable addresses that we are now faced with.

Mr. DORAN. You see we have had these types of experiences; let me first describe this. Is any one acquainted with Birmingham, Mich. It is a real prestige area. A builder built a large development nearby Birmingham, and identified it with Birmingham, yet it has no relationship to Birmingham at all and is not being serviced out of Birmingham post office. Now, you can imagine what kinds of pressures we face then to resolve this type of a situation.

And this is what we said we would look at. There are many prestige areas in the country, there is no question about it. Chevy Chase, Bethesda, and Kensington Hills were mentioned. There are a lot of them.

We will pursue that in depth and possibly come up with a method where it can be handled.

Mr. BRIGGS. We mentioned Chevy Chase. I don't want to get confused.

Mr. DORAN. Chevy Chase does have a post office. It is a legitimate address. Tulip Hill would not be. We recognize it.

Mr. IRVINE. Do you have a question?

Mr. WOODRUFF. No, it was answered, thank you.

Mr. KAUFMANN. No. This serves to emphasize one point I made earlier this morning. Quite often in their attempt to bend over to oblige the mailers, the patrons of the mail, the Post Office makes a decision which has later ramifications that were not obvious at that time. The one that I brought up this morning, of course, was the one with relationship to the cutting back to the 314 multi-ZIP cities, and the fact that they were going to accept labels that had been printed up and stationery that had been printed up, and this tends to perpetuate a duplication system if you are figuring by the ZIP code.

Now, there is another area where the same sort of thing is developing. In granting an exception to groups and to occupant mailers and the like, the Post Office was bending over backward to accommodate them. There was no problem. They were sorting the proper way, but they weren't putting the ZIP code on.

But it has occurred to me, and it occurred to me when the concession was made, and it has occurred to me many times since then, that in someone making this concession, the Post Office has dealt a deathly blow to their own ZIP code program. If you will think in your own minds, the general public when they classify the—I don't even want to say it for the record.

(Discussion off the record.)

Mr. KAUFMANN. I don't want it in the record, but in any event, you know what we meant. The most closely associated is with the occupant-type or the patron mail. When the public sees this mail being delivered by the post office and sees their newspapers being delivered by the post office without the proper ZIP code on it, even though it has been sorted properly for the Post Office Department, I doubt whether there would be very many people who would not say, "Well, if these people don't have to put ZIP code on, why should I?"

Mr. NICHOLSON. Am I correct in my recollection of the legislative history of that, that that was a concession that would apply temporarily, namely, the ZIP code number did not have to appear on the label prior to January 1, 1967, but that the users of those lists would, over time, so arrange their labels as new ones were created so that the ZIP code number would appear?

Mr. KAUFMANN. But the point is that in these specific cases very few new ones are created. When you are dealing with occupant households, the only time that you have changes in this list is when either a building is torn down or a new building is built.

Mr. NICHOLSON. I realize that, but new occupant lists are being constructed all the time and newspaper subscribers are changing through time, so that in time the ZIP code number would appear on the label.

Mr. KAUFMANN. My understanding of the exception was the exemption had no time limit on it.

Mr. NICHOLSON. Well, that was what I was asking, because my recollection was that this was not a permanent abrogation of the requirement.

Mr. KAUFMANN. However——

Mr. HOKE. It was a voluntary thing, as a matter of fact. That was the intent.

Mr. KAUFMANN. However, if we go just one step further——

Mr. NICHOLSON. Excuse me for interrupting, but I remember the Post Office Department was insistent that for the good of the ZIP code system and all users, that the repetition of the recipient ZIP code number was an important part of getting the universal acceptance of the system and the users occupant mailers and those who sequenced by rural and carrier routes all recognized it, but said this is a heavy price to ask us to pay, this educational purpose is a heavy price to ask us to pay when we are already sequencing far beyond the ZIP code requirements.

Mr. KAUFMANN. Right.

Mr. NICHOLSON. My recollection is the agreement was that they would not have to drop everything and put ZIP code on their addresses or on their labels or envelopes now. For educational purposes it was the intention that they should convert their lists to show ZIP code numbers.

Mr. KAUFMANN. The only question——

Mr. FITZPATRICK. It is permanent according to the regulation.

Mr. HOKE. As so written.

Mr. KAUFMANN. Be that as it may, the only point that I am making is that the time for education is before and not after. There is another consideration, too. This concession which was granted here, was by way of an area where it was relatively easy for these people to

comply, because their lists were already sorted down to the fine degree that was required. So that a matter of punching in a number on a stencil of some sort, or the next time labels were printed up of putting the label on, this would be a relatively easy thing. There was a concession made there. The only reason I bring this up is that I believe that this is another case where the Post Office has made a concession without thinking about the full ramifications of that concession and that in so doing, they have hurt the overall ZIP code program. Because, as I mentioned, the association of this type of mail and the fact that it doesn't have ZIP code on it, why should I, who am paying first-class postage.

Mr. NICHOLSON. I agree with you. It was a concession. We would have been benefited by the educational thing, and I think you are a very articulate and persuasive presenter of certain facts. But I would like to make the generalization that there have been a number of suggestions at various times today that we should be very rigid in what we require everyone to do. All mailers should have return addresses on envelopes which would be a good thing, of course, if we could require it, and all 190 million Americans should use.

Mr. BELEN. And that those return addresses should have ZIP codes.

Mr. NICHOLSON. The generalization I am making—and I am making goodnatureedly—is that we should be very rigid about what we ask every citizen in this country to do. We must be very tolerant of the specific problems of the bulk third-class mailers.

Some can sort to three digits and some to five and this and that. There should be nonuniform application of a mandatory requirement for this particular group, that everyone else must be disciplined to the teeth.

Mr. EPSTEIN. If you want to, and be humorous at the same time, how can you justify taking second- and third-class mail and requiring them to do certain things and not every other class of mail?

Mr. NICHOLSON. Because there is a rate differential.

Mr. BELEN. That is right.

Mr. EPSTEIN. And I might say it is possible, in the Department's mind, a lot easier to get compliance.

Mr. BELEN. No.

Mr. EPSTEIN. No.

Mr. BELEN. No, because the law says in order to get the rate, that you prepare your mail under such procedures that the Postmaster General should direct. But why should he direct anything other than procedures, which is, "prepared it in the way in which we move the mail." You see the whole problem you lose sight of is that we have changed in toto the manner in which we distribute the mail in the United States.

We had to do that because we used to have 10,000 mail-carrying trains. Now we have 924. And the fact that we were able to make the transition without closing shop for even 5 minutes is a fantastic thing. We have the biggest logistical problem in the world, that of moving 200 million pieces of mail a day.

And so this is it. To get the reduced rate you must prepare your mail in some way that is meaningful. And the meaningful way is the pattern in which it is distributed. As I came on in here, I noticed that we have some coffee outside. I would like to suggest we take a

coffee break and then come in and get down to what I want to talk about, the hardship cases and what you think we ought to do about them.

This is the thing that I need some input from as well as to get some benefit of your feeling.

If that is all right, I really think that is what we should do.

Is that all right.

Mr. KAUFMANN. All right.

Mr. EPSTEIN. Yes.

Mr. BELEN. Okay.

(Short recess.)

Mr. BELEN. It seems about 2 months ago that I suggested that I thought that the reason for this meeting was a redefinition of present discussions and what recommendations they might make for redefinition, or are the instructions sufficient. However, analysis and decision on individual cases as presented, need to be responded to more quickly. That is what I thought we were going to talk about today, and by jiminy, before we wind up we are going to.

Again, I did say earlier—and this is certainly Postmaster General O'Brien's philosophy and policy—that the January 1 date is permanent; we have just got to keep faith with those people who kept faith with us. At the same time, we have said that we want to be as flexible as we can with respect to hardship cases.

Now, probably the word "hardship" itself is something that maybe is the wrong word. Maybe we need to think of a different word. I was talking to Bill Robinson. I think the term disturbs him, for a company as big as Sears Roebuck, with \$12 million worth of gross a year, has a hardship case. And it really would be poor advertising, I am sure, for people to think that this was going to run Sears down the drain.

This isn't what we mean. I think maybe we ought to think about good faith as much as anything, or even Holy Ghost. I don't know. I just want to see if he is listening. [Laughter.]

But we don't mean that because it is hardship necessarily means bankruptcy or anything like that. The Postmaster General means, I am sure, that where any organization has in good faith worked the very best they could and will set target dates that they will meet, they should not worry about qualifying. You can't manage this and say, "Well, we can't solve this." This is no answer. If you can't solve it, then you might as well say forget it—25 years from now you won't have solved it.

You have got to say that we have done this much and we know within this time that we can work this out. That is what we are looking for, and then we will hold you to whatever you and the Department set down and agree is a fair schedule to get it done. But obviously you are not going to be able to wave a wand and get segments of mail presorted.

That is one of the reasons your business is successful, because people want to consolidate national lists. Other people have different problems—the sources of their list. And, as I said, I didn't realize that some of the people here were maybe offenders in that they never did put a box in their coupons to put the ZIP code in.

Well, we have certainly tried to say, "You better have that ZIP code number and the best way to do it is to get it in the address when people put it down as a natural thing."

I have talked to some of the oldtimers around the Department, and they say, "Really we had just as much trouble trying to get a street number as a requirement when we started city delivery service." Now, can you imagine what kind of a situation we would be in if we didn't have the requirement that your street number be in that address?

And as this thing is growing, the ZIP code number is just going to be more and more important. Everyone says, "Well, we think the ZIP code system is the answer. It is something you just have to get to." But when? You have to set a target date.

Mr. HOKE. I think that is actually the issue—when. I think we have demonstrated today to some degree that January seems to be too soon for a number of reasons. The Department didn't seem to be completely ready. Many of the most important problems have not been resolved. Why must we stick to January 1, except as the official start of the program? We could still stick to 1967 as the official start of the program. Most of the people involved in the inner circles are moving rather well in view of the difficulties.

Mr. BELEN. If they are moving rather well they will have no problem with us. But they have got to come in and talk about it. Now, there are a lot of people who have just done nothing.

Mr. HOKE. But whose fault is that.

Mr. BELEN. Well, it certainly isn't mine.

Mr. HOKE. If there is some admission that the promotion campaign has not been what it should be, or the training program has not been what it should be, then I think we have responsibilities on both sides.

Mr. BELEN. I will tell you this. We worked for a long time to get the Advertising Council to take this program on, as they do other Government programs. We had a session with them, and after they got through they shook their heads and said, "I'll tell you. We think you have done a pretty terrific job of promoting ZIP code." And when you take a look at the report that you got today, at the press conference and realize that 99 percent of the people at least know about ZIP code, that is probably more than who know the name of the President of the United States.

Mr. HOKE. May I answer that. I have no doubt that 99 percent of the people know the ZIP code program is in motion. But that doesn't mean they are using it. We still have indications, and I make studies and find out they are only using it 15 percent.

Mr. NICHOLSON. The magazine industry, the second-class mail people mounted their own promotion program of ZIP code, not only to the magazine publishers, but for the general public. I wonder whether the third-class mail industry has attempted to educate its customers and its public to the use of ZIP code.

Mr. HOKE. I think we have done a little bit along that way. We ourselves have done something in that regard.

Mr. NICHOLSON. We got, apparently, many of the coupons that go out that still don't have room for ZIP code in them, which is the one best proven way of getting the ZIP code numbers you need for your list.

Mr. HOKE. That is your National Advertiser. Even the Department is using Washington 25 in some areas. I mean we just haven't gotten to it yet. There are still letterheads.

Mr. COHEN. Just for the record, I can't recall the last time I saw a reply card come through our place that didn't have a place for the ZIP number on it.

Mr. NICHOLSON. I think that is the kind of thing we need.

Mr. HOKE. I think that is true today, and I think we have to talk about how many impressions we have to make before this thing sinks in.

Mr. BELEN. Here is what disturbs me, Pete.

Mr. HOKE. Yes, sir.

Mr. BELEN. There are so many people that have complied. How could they possibly comply if it is impossible. Bob just handed me a report of the Memphis region. It shows here that firms annually, these firms, handle 72 million pieces of ZIP-coded mail. Of the 72 million pieces of ZIP-coded mail, 50 million are presorted. Of the 255 firms reported, 151 are cooperating in the presort program. It lists them right on down. Here is the First Baptist Church, Birmingham Magazine and Jefferson Savings and Loan. All of these people have ZIP coding and presorting, and not one of these are computerized.

Mr. HOKE. Could I have that list?

Mr. BELEN. Yes, you may have it.

Mr. HOKE. I mean I will spend my time to go down and see. Because I find people say, "Yes, we are doing ZIP code," but they mean many different things and in many different situations.

Mr. BELEN. I am sure you will find that 53 million of the 72 million are presorted. You see, these people are in it. Others still have time to get ready, but if they sit back and decide that they would rather pay 4 cents than 2½ cents and get it done, that is up to them. But there is a difference of 1½ cents, and I want to emphasize that it really doesn't cover the difference in cost between presorted ZIP-coded mail and that which isn't.

Mr. HOKE. What about nonprofits? There is a 220-percent increase.

Mr. BELEN. I know that. They are getting away with a terrific rate on every piece that they send. We don't set the rates, but the rates say, "This is what you will pay if you prepare it in the way the Postmaster General says you will prepare it. And that is the rate you will pay if you don't."

Mr. HOKE. We have a rate structure based on the old book. We don't have a rate structure based on the new book.

Mr. BELEN. I don't know whether the rate structure was set up after the Postmaster General had issued his regulations or not. Do you know, in 1926? He just issued them in a way that was meaningful at that time.

Mr. HOKE. I think what I am saying is that we have a rate structure based on an alphabetic system, geo-alpha system of filing and mailing. We do not have a rate structure based on numerical filing and mailing.

Mr. BELEN. Oh, no, you have a rate structure based on preparing it in the way the Postmaster General requires it.

Mr. HOKE. I guess there is an area of discussion there.

Mr. BELEN. I quote the law. That is what the law says. Any way, we are going to be quite flexible with those people who have done something. When there are hundreds of people who have done some-

thing, you can't expect to be sitting there and have done nothing and say, "Well, we are a hardship case." I think that is clear.

Mr. HOKE. Are you going to be sure—if you get into the area of exemptions—are you going to be sure that everyone knows that they can get an exemption and strictly not an insiders proposition?

Mr. BELEN. What do you mean an insiders proposition.

Mr. HOKE. Well, I mean people who are involved in various situations.

Mr. BELEN. I am not going to give you one single thing that I am not going to give anyone else, if that will help you.

Mr. HOKE. I did not say that. I do not mean that. We have 275,000 permits I am told, probably used this, I don't know, maybe 300,000 or 400,000 businesses. Are we going to inform 400,000 businesses that they do have an exemption possibility. And if we do, won't that damage the program?

Mr. BELEN. Didn't we send everybody a certified letter?

Mr. HUSE. Yes.

Mr. BELEN. Every one of these holders had a certified letter in their box.

Mr. HOKE. About the exemptions?

Mr. BELEN. I don't know if mention was made about the exemption, but certainly about the fact they had to comply.

Mr. HOKE. I think this is a consequence we have got to think about in discussing exemptions. That is the only point I bring up.

Mr. BELEN. All right.

Mr. HOKE. I think everybody should have an even break in terms of knowing of your feelings, you see.

Mr. BELEN. I agree with you.

Mr. IRVINE. It is part of the regulations, isn't it?

Mr. BELEN. I agree with you. The regulations have been issued and I recall we issued them in the Federal Register. But everybody isn't going to be told they have an exemption. They are going to be told they have to comply. If they have a hardship case, certainly you mentioned that?

Mr. HUSE. No, sir. We did not.

Mr. BELEN. Okay. We will get around to it in time.

Mr. HOKE. This is the registered letter you are referring to, I believe.

Mr. FARLEY. That is published. That was published as public information in the Federal Register and it appeared in our public postal manual regulation since last year some time.

Mr. HOKE. What is the distribution of them.

Mr. FARLEY. This is information available to the public.

Mr. HOKE. Does the public who are now being involved in this system know that those publications exist and they should be reading them.

Mr. FARLEY. They are available in every post office in the country.

Mr. HOKE. Do they know that?

Mr. BELEN. I think Mr. Hoke's comment is certainly pertinent, and let's say when we decide here, if we decide today, that we will certainly see that everybody is informed and have another mailing that will go around at the appropriate time.

Mr. HOKE. Sir, may I make one observation more, please.

Mr. FARLEY. The fact we have exemptions was published in newspapers throughout the country.

Mr. BELEN. I know it was. But I think we need to make out a form in which they can reply and the different items that pertain to it and have a second go around as the time gets to it. But certainly I would take it that they have received their letters and I would say as far as that is concerned that is the Ides of March.

And when it comes to any kind of an exemption, certainly we will say, "What did you do after you got that letter?" But I think that we will, after we get whatever reaction I get from the you people and the things that we ought to do with respect to exemptions, we will get something out.

Mr. HOKE. One further point on this letter that was sent out to the permitholders, I think this is another reason why you have to look for end runs and general broad promotion, controlled by yourselves. I don't know how many decisionmakers actually saw this letter. A decisionmaker, people who can decide to change their internal financial and filing systems to comply with your regulations. I am not sure. In my case I did not see it. It was not addressed to me. This was not addressed to the head of the agency where I picked this up in Chicago.

Mr. BELEN. It was addressed to a firm?

Mr. HOKE. What I am saying is it was received, and you did your job but you did not go far enough. I think a communication like this should be dealt with with greater impact and you should be sure that the top men see it. Now there are ways to do this, but I don't think this did it. I don't think the fact that you made one communication does it.

Mr. BELEN. I don't believe that in the whole history of the postal service have we ever gone to the effort that we did there in sending out that type of a letter to every business.

Mr. HOKE. I don't think in the whole history of the postal service you have imposed such revolutionary concepts on the American public and business.

Mr. BELEN. I will accept that. I think it is. I think that is true.

Mr. HOKE. Yes, sir.

Mr. KAUFMANN. Can we get into the area of hardships and philosophy?

Mr. BELEN. I hope to.

Mr. KAUFMANN. All right. A business which has examined the conversion to magnetic tape—and this is hypothetical, because it surely does not apply to me—which has a list of maybe 75,000 or 100,000. It may be a 2- or 3-person operation. They have gone to IBM, they have gone to Remington Rand, to see whether it is feasible to use their facilities or their computer operation on a business of this size. They have been told by IBM and Remington Rand, or whom-ever, that it just does not pay for them to be involved with computers.

They go to a service bureau and find that the charges of the service bureau, which they cannot control and have very little control over—and I must add this, that there is a new one cropping up every single day and their abilities and their reputations have not been established—they find that the cost of converting to this type of system is four or five times what they are now doing.

They know that in their present system, with their 3- or 4-man operation, they have all that they can do to get the order out each day,

let alone reconverting their Elliott stencils or their Speedamat plates. They would like to do this on an updating basis, on a gradual basis. As new orders come in, the stencils are updated or something of this nature. Will this be a consideration for hardship.

Mr. BELEN. I would think not. I would say they would just have to relate the cost of getting it done to paying 4 cents, if this is what they are talking about.

I think they have to do more than just update it as new orders come in. We just wouldn't know where we were if we did it on that basis.

Mr. KAUFMANN. Suppose this same firm can produce a financial statement or financial figures which substantiate the fact that they could not afford to spend the money in this lump sum or at this time to accommodate the service?

Mr. BELEN. Well, Mike, let me say this, that I am not going to sit here and make case decisions. I think that would be a very serious error on my part. What I want to do is talk about procedures. And what I hoped, after the result of our discussions here, was that I would give you my thought, which is this: first, our people—and I am speaking about our staff—felt that we shouldn't really make any hardship decisions until November, feeling that everybody would be working, getting it done, and it would be clearer by then. I have discussed this with the Postmaster General and our feeling is that we must reevaluate that policy.

And certainly this meeting has not dissuaded me from that. I think what we need to do is to announce, and we have announced already, that we will receive requests for hardship cases. I think that people should present them. What I wanted to do was figure out what should we ask in terms of what kind of documentation does a hardship case require? And if we could get some feeling from you to our staff as to what that would be, then we could put out that information and start getting the cases cleared as soon as we could determine those that are clear cut and so forth. From that you would get a pattern of what we are considering. I would say too, by doing this early, that people like you are talking about, might well qualify as a hardship case.

I want to say they might be a hardship case, and they might not be. As long as they get a report back, say, by June 30, that they aren't, at least they will get some direction and can come back again.

They may not be able to complete it by January, but they have 5 or 6 months now to show that they really have gotten with it and done everything they could.

I don't mean either that I am going to be the sales agent for a lot of firms that you say are being set up to ZIP code. I am not going to be any party to creating such a tight hardship case that they are going to be forced into paying an unconscionable fee. We would probably get into this kind of thing ourselves if that were necessary. In fact for \$1.50 a thousand we get the cards sorted. I don't know what these other people are charging, but if we had a printout we could sort cards so they could mark them up themselves and they would have it made. That could be done within the free time that their people have.

I do feel that we will, as a result of Mr. Olsen's interest and your interest, say we are going to start now and evaluate such cases as we do have aboard and keep fairly current with those that come in.

I would say to any of you, Harry, to let your people know, if you have not, that if they feel they are a hardship case or see they can't make the target, that they be in touch with their postmaster and/or with you.

After all, you can let us know, too, if they have some problems. And I would expect you, Bob, to work with our people to get out some kind of a format. I think we need a form of just what kinds of situations do we need as documentation upon which we can base decisions. We will move pretty rapidly in this area. We hadn't intended to, but I certainly feel that we are obligated to.

Mr. WOODRUFF. We are a particular case, but it points up a theory, and so I am pleading this on a theory basis and not a particular case basis. We are a compiler and there are several hundred compilers in America. Whatever hardships we could get, provided we could prove to the Post Office Department that there was a hardship here, if you will grant me that that has been proven, we could maybe get a hardship case for ourselves.

But I am in the business of renting lists to other people. What I am asking really—and this is theory—is, does my hardship case apply to my customer?

Mr. BELEN. This was brought up earlier and I said we hadn't resolved it. But certainly it seems to me that we have to have some relationship to that or if it just applies to you, you are stuck with just the use of the list yourselves.

Mr. WOODRUFF. I can't rent them, and I don't mail that much myself.

Mr. BELEN. I think we have to look at the end use of the list and all along the line where this list applies. I think that hardship has the connotation of being pressed against the wall.

We don't want anyone pressed against the wall. All I say is that if we can have some definite indication that you are with us on this, that you will set yourself a realistic target and be with us, I don't think you have too much of a problem with us.

But I believe that if there was anything in terms of setting in toto that date ahead, we will be, just a year from now, exactly where we are today.

Mr. FITZPATRICK. What do you mean by a realistic target?

Mr. BELEN. I mean if you come in and say, "All right we have some names. We have 50 percent of them completed now. We feel by June of next year we will be pretty well done," I would say that was realistic. And, based on what you say, I would say that any target passed a year from next January would not be realistic. I think that you ought to have some general indication of what you are going to be doing and set yourself a work schedule.

Mr. HOKE. Might it not be easy to take a time period after we finally have a complete directory in print in the millions of copies?

Mr. BELEN. What do you mean by a complete directory?

Mr. HOKE. Well, I mean—

Mr. BELEN. Do you mean this one Harry was talking about earlier?

Mr. HOKE. Well, we have been speaking today of some of the problems we are facing with directories.

Mr. BELEN. All I am saying—and I said this in my opening remarks—if you prepare the mail with all the mistakes we have in our

directory, we will take it at 2½ cents. Don't worry about those mistakes or the rate problem.

Mr. HOKE. This is a problem in rate list maintenance, Mr. Belen, don't you see. This is a problem for everyone who has a mailing list. This is a problem of list maintenance, not to have adequate reference material. This is a critical problem.

Mr. BELEN. Pete, I didn't intend to say this, but I think that our lists, are about as good as anything. In fact someone just handed me the Reporter, is that what it is called, the Reporter, your magazine, and noted all the different printing errors in it. I won't hold you responsible for that. You have to start some place.

You aren't going to stop printing your magazine because there are a few printing errors in it, are you?

Mr. HOKE. No, certainly not. I don't see what that has to do with filing maintenance on the list.

Mr. BELEN. I think it does. I don't think there is any file you maintain or we maintain that is 100 percent perfect, and I certainly won't expect not to start a system until you could guarantee everybody there that everything was 100 percent perfect.

Mr. HOKE. We are beginning to comply. We are still having problems of finding the numbers.

Mr. BELEN. But you say let's not begin until we have a record that is perfect.

Mr. HOKE. I don't think that is going to be too far away, do you.

Mr. BELEN. It is going to be as perfect as we can make it, but nobody is perfect.

Mr. HOKE. Of course not.

Mr. BELEN. I think that our directory—and really I was one that gave an award to the people who got the first directory out for the time involved—and for what they had to do I think they did a tremendous job.

Mr. HOKE. I don't think anybody would quarrel with that. But we still need a complete source to maintain our files so we don't lose our customers. I think this is the kernel of the argument at this point.

Mr. KAUFMANN. If I may interject at the moment. There is one situation which keeps coming up over and over again, where people that are on computers, ourselves included, have an advantage and a tremendous advantage over those who are not on computers, both in the correction of errors and in getting the information in the first place.

Mr. BELEN. Yes; and you have lots of other advantages. You have an ability on related credit references and a lot of other things.

Mr. KAUFMANN. Right. Many of these people had the computers and had justification for the computers prior to the ZIP coding. So this is an area where those who have get more and those who haven't get less.

Mr. BELEN. But they had as many other areas. In other words, you are not on computers, Mike, for any other reason than you are big enough to be on computers, and the fact that you are big enough to be on computers means you have a lot of factors that make the small guy not competitive. This is volume buying, it is mass selling, just a lot of things when you are in that area. There are a lot of reasons

for people not being on computers. If computers were the answer, everybody would be on them.

Mr. KAUFMANN. Actually, I didn't mean to point it out as a matter of competition but as a matter of where a person has a stencil file.

Mr. BELEN. Yes.

Mr. KAUFMANN. And they put the ZIP code on that stencil file and then they get a correction, there is no way that they can change that without cutting a complete new stencil and doing it over again.

Mr. BELEN. I agree that they are not on a par in many respects. Well, it isn't just in the things that affect the mail. There are a lot of other reasons. You just can't relate everything to the mail problem.

Mr. HOKE. Yes; but the revolutionary new system that we have been presented has created the problem. I think this is what we are trying to get to. I think the person on a mechanical system has a great deal more to be concerned with than the fellow on computers, even with all his problems.

Mr. BELEN. I think so. I won't deny that.

Mr. HOKE. We still haven't flushed out our list, and we have been working every single day on it, with more people. We continue to get changes and all of these things.

I have said enough, except there are hundreds of thousands of these people and only 28,000 computers. Is that correct. Or is it 13,000.

Mr. WOODRUFF. 28,400.

Mr. FITZPATRICK. Mr. Belen, I have a feeling this meeting can run as long as "My Fair Lady" unless we get clarified, at least in my own thinking, what it is we are trying to do. As I understand it, you are looking to us to establish, with you and your people, ground rules upon which hardships would be based.

Mr. BELEN. Yes. What I am trying to say is we are not going to change the date. We might just as well start from there. Let's work together to see that nobody is hurt.

Mr. FITZPATRICK. Well, aren't we somewhat attacking this from the rear end. If I have 168 companies who give me reasons that they feel they have hardships, or reasons why they can't ZIP 11 million names out of 67 million that they have on their list, shouldn't it be that the Post Office Department should set the ground rules since they are the ones that said they are giving the exemption.

Mr. BELEN. I think so. But we don't want to set them arbitrarily. We want some of your input.

Mr. FITZPATRICK. That is what I am thinking. Would it be better if you would say, "These are what the post office considers as ground rules."

Mr. BELEN. I think so.

Mr. FITZPATRICK. Then call this group back in again.

Mr. BELEN. Except that I hoped that I would get some suggestion from you people. And remember, I told Mr. Olsen we would meet maybe once a week for a while until we got some of these things resolved.

Mr. FITZPATRICK. We may have 150 different reasons for hardship.

Mr. BELEN. We could come in and say, "Here is our proposal, let's take a look at it." I think that is a fair judgment of what you just said.

Mr. KAUFMANN. I think one of the areas that ought to be examined is just that, the area of granting the exemptions.

Mr. BELEN. Yes. What would be fair. What should we do.

Mr. KAUFMANN. No; is this going to be granted on a local, on a regional, or on a national basis, and how is the interpretation of the local or the regional area going to enter into the granting of the exemption, and what recourse does the mailer have if his local or his regional or the national—

Mr. BELEN. Did you pass the regional letter around?

Mr. DORAN. Yes.

Mr. BELEN. There is an arrangement, and there should be, for the local man to get up to the regional and to the national if he thinks that he is an exception from the pattern, or if he feels that his postmaster just doesn't go along.

Mr. KAUFMANN. No; but my point is this, if the mailer who requests the hardship exemption has to fight his way past the local and the regional on up to the national—

Mr. BELEN. We hope he won't.

Mr. KAUFMANN. Well, the thing is this, where it is a local interpretation it will happen in many cases, just as we get local interpretations of whatever regulations are put into effect. I would think that it might be—this can be an internal thing whereby it isn't even released to the public—but where a release is made to the area, saying that by God if they come within these confines, without question they get granted exemptions.

In addition to that, you may grant exemptions on other grounds or at least pass on for review.

Mr. BELEN. I think not exemptions. Let's say extensions. I think we are talking about extensions. And this, Bill, may be the answer to what we want to say, that instead of hardship cases, "request for extension of time." This is what we are talking about.

Mr. IRVINE. I would like to make it clear for the record that a hardship "exemption" would take the form of an extension of time.

Mr. BELEN. Really, it is not an exemption at all. It is an extension. And I say this about the local postmaster, you will find that he is a lot less tough than we are.

Mr. KAUFMANN. In many cases, unless he has got—

Mr. BELEN. This man represents his gross receipts, believe me.

Mr. KAUFMANN. Unless, as you point out in many cases, he has the regional director breathing over his neck and he is afraid to.

Mr. BELEN. But he has got Mr. O'Brien's word that we don't want to be that way. I believe we can work out together something that we would all agree to. I do think that we can come up with a program for extensions of time for valid reasons. And I would feel that we would have to put in it a final date for time extensions.

I would also like to suggest, I feel we are not—Harry, we are just not at the point of writing out a message today. But we will work on it, and your people that have some ideas, if they will get them to you and you get them to Bob Huse, and I don't even mind setting a time now if you want, but I think 2 weeks would be reasonable, don't you, Bob.

Mr. HUSE. No earlier than that.

Mr. BELEN. About 2 weeks. I can look on my calendar. I can step out and give you a date right now if you want to.

Mr. MAGINNIS. It is satisfactory to me as long as it doesn't interfere with our golf match next Wednesday.

Mr. BELEN. Is that for one day or two.

Mr. MAGINNIS. The one day is all I am tied up.

Mr. BELEN. On the extension of time, let's see if we can't come up with something that will work out, an ultimate time as well as criteria, maybe a form, and possibly an agreement as to the manner in which we will notify the mailholder in line with what you said, Pete.

Mr. EPSTEIN. It would be helpful if he gets, as you said at some time, not too long from now, a feedback on the many things that were discussed here.

Mr. BELEN. Yes, I think you will get that. As I left here I talked with the Postmaster General about the suggestion as to quarterly changes, and he said that makes sense to him. I have also talked to him about our setting up a project that Harry discussed, a complete extension of geographical names. I don't know what other things you have talked about here, but—

Mr. EPSTEIN. They are in the record.

Mr. BELEN. I think we can give you a report when we meet back.

Mr. MAGINNIS. I would just like to make a comment. For instance, it seems to me you have really built yourself a magnificent rocket here and you have got it out on the pad and you sort of have a countdown going on it. January 1 is the countdown, and you are approaching the shoot off. All of a sudden we have in these hearings a demonstration that the magnetic tape is not quite accurate. We would like to rectify the error in that. In other words, the hydrogen supply is a little off so you are going to have a little bit of a hold on this countdown, just as they do on the space rockets.

You come along further and you find that maybe the ZIP Code Directory doesn't contain all the information it should and you have another hold. Now, unless you take into consideration these problems you are going to shoot that magnificent rocket off and it is going to land out in the Atlantic Ocean some place. All I can say about the hardship thing is I am reluctant to make any comment about the extensions. The first job I ever had was during NRA. You and I were around during these days, Fred, and they set up code authorities and I was with the Underwear Institute and I want the record to show it. They had an outerwear association and I remember we went 18 weeks trying to find out whether a T-shirt was an undergarment or an outer garment. We never did resolve it.

Of course the NRA was declared unconstitutional, and so forth. But I learned from that experience, that when you start setting up regulations and laws you get involved in a lot of things. You throw a rock in the pond and there are all kinds of ripples. If we found out anything about our discussions today, we are really in ratemaking here and the accountability of public funds. You say that the law says that the Postmaster General may require mail sorting. Earlier in the day you claimed that they wanted to go to six and possibly seven numbers in the beginning and you have hit at five. Thank the Lord for that.

We recognize that that threat still remains there, that it can go to six or seven at some point in the future. But in any event, this is the requirement that the Postmaster General has put onto his regu-

lation books. And it has gone through the Federal Register, and there it stands.

If at some point a local postmaster can say, "I am going to grant him an exemption, a nonprofit institution," he is saying in effect, "You don't have to pay 4 cents per piece. You only have to pay 1¼ cents per piece."

You are dealing with the accountability of public funds and you are putting this right in the postmaster's hands. If he turns it down he is scared to get involved in it. Then the regional director becomes the arbiter in the thing, and finally it probably comes to Mr. Riley's department.

Now, I would want certainly in any consideration of the development of an extension regulation an opinion regarding the legality of the thing you should protect yourselves. You can't just go ahead without having counsel in and saying, "Yes, this is a proper thing to do, based on our regulation."

Of course, I have submitted to the committee 80 or more letters and I think they have reached you, Mr. Nicholson, about the problems of individual companies. We had the testimony, for instance, of a Mr. Schneider who is not a member of mine. He came in at our invitation. And his problem is, he is sending out premiums. It has nothing to do with pieces of regular literature. He is dealing with a pound rate. He is sending baseballs out and model airplanes and cookbooks. And it is a one-shot deal. He is handling 7 million pieces of mail a year, as I recall. He has 214 employees and General Mills hires him to do the job. This fellow's argument is, "I can never ZIP code until the American public formally uses a number." So he is a significant applicant that you are going to hear from.

Now, you and I know that the toughest thing for Members of Congress to handle in all the world is the appointment of a rural carrier. In all the 400 applicants for the job—and there are a lot of organizations that get behind a particular candidate—but I think when you get into this field, as Mr. Pool sort of pointed out today, or left the inference, if he finds somebody up in Michigan getting it, he is sure going to demand it for the guy in Dallas and it is going to become a big political football unless the ground rules are so firm for everybody that lawyers go before a hearing examiner and decide that it should be done.

But if you leave it with the local postmaster, Fred, I am afraid it is like the underwear.

Mr. BELEN. It is really the reason, it is so, even the regional director.

Mr. MAGINNIS. Even the regional director, I don't think he wants this responsibility.

Mr. BELEN. I think that gets it a little removed, but what you do, Harry, is you underscore the fact that the transition period shouldn't be too long.

Mr. MAGINNIS. I understand. I see no reason not to shoot the rocket up on a recommended basis, really—get this industry behind it with a marketing program. The carrot you hold out is speedier handling of the mail. We all want that. We believe in a sectional center concept. I don't think you have to abandon the January 1 date. And, of course, there has been talk of extending the date, and that doesn't seem to appeal to either Congress or to the Department.

As a practical matter, I don't think we can push such legislation through the Congress. I think there is little chance to get the bill through that pends in the subcommittee to extend the thing.

I would rather avoid that. I would rather sit down with the Department and say, "Let's shoot the rocket up on a recommended basis and get behind using the numbers and bring in experts, let's design a ZIP code directory that is a true bible for the industry and when you get all the tools nobody can have complained that they can't comply."

That is the way I feel about it, personally, although I am willing to talk about hardship extensions, because I think they are going to be necessary, based on the policy decision that has been made.

Mr. BELEN. Well, how does Friday, June 3 suit you.

Mr. MAGINNIS. Friday what?

Mr. BELEN. Friday, June 3, at 10 o'clock? And I think that these meetings would be a lot more meaningful if we could hear from you in between—you have had a little reaction and time to think over what is going on. If we could hear from you in between about things that you want us to be sure to consider—

Mr. FITZPATRICK. I will be happy to turn over to you—and I don't think there is any problem—all the replies we got on our survey which went to 528 companies and we got 168 replies.

Mr. BELEN. Fine.

Mr. FITZPATRICK. They cover everything, Fred, from brief statements to the whole back of the sheet. In there is Schneider's statement and of course this is public record and you can get that from his testimony. We will be happy to give them to you, and let you contact them or do whatever you wish.

Mr. BELEN. No. Why don't you get together with him, Bob?

Mr. EPSTEIN. That would help in analyzing what some of the problems are.

Mr. FITZPATRICK. If you look at them, Fred, there are just a million different things said here, and only in 106 replies. I think every one has its own individual hardship that he feels is a hardship.

Mr. BELEN. Okay.

Mr. MAGINNIS. I think we might do it this way. The one plant that has been inspected by almost everybody, by the Congress of the United States, by Representatives of the Postal Department, by corporations, is the plant of Mailmen, Inc. You have all the facts on the record that this particular plant is a hardship case, in not being able to comply in sorting this within 214 coded cities. Assume they are going to file an application for a hardship extension.

Mr. BELEN. I hope they will be one of the first, because then when we work that one out, everybody having seen the place, having seen the decision, will understand it.

Mr. KAUFMANN. But they really can't apply for a hardship, because they are not the mailer. It is not their list that is involved.

Mr. WOODRUFF. It gets back to what I asked before.

Mr. KAUFMANN. In other words, they are doing mailings for me.

Mr. BELEN. The thing that disturbs me about them is their implication is that "We can never comply." I don't think anybody around this table quite agrees with that.

Mr. EPSTEIN. No. I made a suggestion before for the Department to consider, approaching sectional center sacking on a gradual basis.

In other words, to start, let's say, with what we feel we can do reasonably, which is to sort the three digits.

Mr. BELEN. Yes. I think we can sit down and work something out with you on that basis, but not on a national basis. I think this is part of what we want to hear from you.

Mr. EPSTEIN. Right.

Mr. BELEN. What do you propose? And you have got to come up with a proposal that will say, "All right, we understand that this thing is in the future. We have sat down with our top planning people and we feel this is what we can do. Will you approve?"

Mr. COHEN. Mr. Belen, you already have it in writing.

Mr. BELEN. Then we will get started working on it. Everybody says we can't do it until November. I say that isn't good enough. You will hear from us. We may call you in to go over it with us. I do think you have one of the biggest operations, and I should think you would be very grateful.

Mr. FITZPATRICK. Did you set a time for the meeting?

Mr. DORAN. 10 a.m.

Mr. BELEN. 10 a.m., right here, and if we have to go to a different room we will know it then. Thanks again. I think this has been productive, and don't take my sharpness as being hardness of heart.

(Whereupon, at 4:33 p.m., the meeting was concluded.)

(NOTE.—The further meeting referred to above was not held.)

ADDENDUM

(On June 23, 1966, Chairman Arnold Olsen and Representative Joe Pool delivered speeches on the House floor dealing with the ZIP code issue. They are included herewith as part of this record.)

Mr. OLSEN of Montana. Mr. Speaker, the time is fast approaching when a postal regulation affecting almost every business in America takes effect. Former Postmaster General John Gronouski announced in February 1965, that his Department would require upward of 350,000 business mailers to include on their bulk second- and third-class mail five digit numbers—better known as ZIP codes—and to presort such mail by ZIP code sequence after January 1, 1967. In one fell swoop, the Postal Establishment transferred from postal clerks to private industry the difficult task for scheming a high percentage of the 75 billion pieces of mail handled annually by the Post Office.

By the stroke of the pen, the Post Office is seeking to force American business to abandon its traditional and time-tested ways of doing business with its customers. Almost every business file in America is kept in alphabetic-geographic order. He is now being forced to throw this filing system out the window and put everything in five-digit, ZIP code order. It is as if the U.S. Government issued a regulation which suddenly imposed the metric system of measures on American industry. To service customer's orders and to comply with the mandatory ZIP code order, business will have to set up two filing systems. What a titanic waste.

Recognizing that this most revolutionary of Government regulations would have profound and startling repercussions in every community in the United States, the Subcommittee of the Post Office and Civil Service Committee which I head—Facilities and Modernization—scheduled hearings so that all sides of the vexing issue might be aired. Starting last spring, our subcommittee has heard the testimony of 42 witnesses during 11 public sessions. It is our intention to continue the hearings until every person desiring to be heard has had a chance to testify. The only witnesses categorically supporting the compulsory regulation were postal officials. The postal clerks opposed the Gronouski order. No business mailer has appeared to give the scheme unqualified endorsement. Those opposed to the regulation admit the value of using ZIP codes to speed the handling of the mail and to cut costs but contend that compliance on a mandatory basis as soon as January 1, 1967, is either impossible or so costly as to defeat the Department's aim of saving the Federal Government large sums of money.

The testimony makes clear that the Department itself has not provided the bulk mailers with the necessary tools to make compliance with the mandatory requirement feasible. Because the ramifications of the regulation are so vast and because neither the business community nor the Department has been able to conduct a survey to discover the cost of adding five numbers to an unknown number of billions of address plates, the subcommittee can only make an educated guess of that cost—no less than \$250 million. If the guess is anywhere close to the mark, the Federal Government can expect to lose in tax revenues upward of \$125 million. There can be no question that the cost of conversion to ZIP is a proper business deduction.

Since Postmaster General Gronouski predicted savings of only \$22.4 million annually when all bulk second- and third-class mail is fully ZIP coded, we can quickly conclude that the savings are not real but illusionary. Postal costs may be reduced \$22.4 million annually, but the cost of presorting mail by ZIP sequence will be so great that the total of reduced corporate tax payments will exceed by at least 10 times the so-called postal savings. Let me qualify this dark prediction by stating that these costs are predicted on the crash, rush-rush program of the Department. Once postal patrons begin using the numbers—and it should take at least 3 years to convince them to do so—then the mailer's problems are somewhat mitigated. Time and education is the key to a successful ZIP code program.

Mailers contend that had the Department avoided a crash program, the numbers could have been added gradually over a 3-year period at far less cost. A majority of the subcommittee voted to defer the application of the mandatory requirements until January 1970, but the administration is violently opposed to such a delay, making the enactment of a bill somewhat difficult.

While educated guesses may be made with regard to the probable cost of adding numbers to address plates, no one—highly placed postal officials or experts from the mailing industry—can venture an estimate of the cost of sorting bulk mail by ZIP code sequence after January 1, 1967. Only experience can provide us with solid data. The costs could prove to be astronomical.

Bulk third-class mail is presently presorted by city and State and has been for 40 years. For performing that expensive task and then enduring extremely deferred handling of his mail, the bulk third-class mailer has been paying a rate of postage somewhat less than preferred first-class mail. Congress has readjusted the rates of postage many times in the past 15 years. The increase in the third-class minimum piece rate has advanced 188 percent since 1952. The rates for both bulk second- and third-class mail have been readjusted by the Congress on the basis of factors other than the use of five-digit ZIP code numbers, or the need to presort by such numbers. The compulsory ZIP code regulation, in effect, transfers part of the rate-making function to the executive branch.

In the case of second-class mail, unzipped material will be forced to pay the third- or fourth-class rates of postage by weight rates so high that many small publications forced to pay them could be driven to the bankruptcy wall. In the case of regular or business third-class mail, unzipped material would be denied the 2½-cent rate and forced to pay the single piece rate of 4 cents, a rate hike of 39 percent. In the case of nonprofit third-class mail, used by many worthy charitable organizations, the hike would be extremely drastic—220 percent. Unzipped nonprofit third-class mail would be denied the 1¼-cent rate and be required to pay the 4-cent rate previously mentioned.

During our hearings, Post Office witnesses made no bones about their desire to either transfer most of the sorting work to the mailer or to recover higher postal payments from him. The overtones of ratemaking involved in the ZIP code regulation provide clear evidence that the Department has arrogated unto itself the zealously guarded ratemaking power of the Congress given to it by the Constitution. The Post Office contends that the basis law permits it to issue regulations requiring fantastic presortation of the mail by second- and third-class permit holders. Deputy Postmaster General Frederick Belen testified on May 19 of this year that the use of six numbers was seriously contemplated. Unless the Congress clarifies the law governing bulk mailers, some future Postmaster General may very well decide to scuttle both the free press and the direct-mail industry by requiring the use of seven or more numbers. We must not allow this threat to hang so heavy over the corporate heads of so many mailers.

While I have devoted many, many hours to the subject and listened to much expert testimony, I must admit that I still do not grasp the fantastic requirements of the mandatory regulation. While it is fairly easy to understand the sectional center concept of distributing the mail, a sudden shift from long used methods could prove disastrous. There are 552 such centers strategically placed throughout the country. Mail eventually will bypass oldtime distribution

bottlenecks and get to its destination more quickly. In time scanners will be perfected and in sufficient supply to help in the dispatch of the mail. Under the mandatory ZIP code order, the bulk mailer will be required to presort his mail to the sectional centers. I say "supposedly" for that is not exactly the case. There are actually 930 assigned first three-digit numbers. If one is fortunate enough to have an expensive computer with all his addresses in ZIP code sequence, one might suppose that the mail will automatically be presorted in accordance with the mandatory regulations as it flows off the belt line. Not so. It is impossible from the Department's official ZIP Code Directory to determine which first three-digit number to use. Moreover, some sectional centers have more than one three-digit number. Members of the House will quickly perceive that the mailer will be writing to him about the scheme after it goes into effect on January 1. As difficult as the sectional center sorting requirement might seem, it is completely dwarfed by the requirement to break down the mail in the 314 multicoded cities to the 6,000 or more zones within those cities. I am referring to the last two numbers of the code in those cities. The requirement is that the mailer has to make a sort to any particular number if he has at least one-third of a bag of mail for that number. In effect, he lines up veritably thousands of bags, never knowing in advance which of the bags will be one-third or more full at the end of the sort. Those having less will have to be combined with mail in other bags. In effect, the mailer gets involved in what the trade calls regression—a very, very frustrating and expensive experience, I can assure you.

All of this seems difficult, and it is. If I have not brought much light to the subject, please bear with me. I am now about to shove you into total darkness.

There are 34,000 official post offices in the United States. All of these appear in the Department's official ZIP Code Directory. Each has one or more numbers. Boston, for instance, has 96; Washington, 37. What is not generally known is the fact that there are 120,000 or more "locals," or prestige communities, in America, few of which appear in the ZIP Code Directory. Let me give you a few illustrations. Bethesda, Md., is one of the largest communities in our neighboring State. It does not, however, have its own ZIP code number. It is part of Washington, D.C. So is Chevy Chase, Garrett Park, Kenwood, Oxon Hill. People living in those communities are reluctant to use a Washington, D.C., address. They like the prestige name of their community and are reluctant to be identified with the voteless city of Washington. As I mentioned earlier, there are more than 100,000 such communities. How in heaven's name can the bulk mailer in Montana or California know of these towns if they do not appear in the ZIP Code Directory. He cannot, and that is another rub of the vexing problem. The mailer is perfectly justified in protesting the mandatory order when the Department has failed to supply him with a comprehensive and usable directory.

Members will just have to take my word for the following flaw in the program. One and all were assured that ZIP numbers would not be changed, except in the case of post offices closed down or newly opened. What has happened? Individual postmasters in many of the 314 multicoded cities have been changing the numbers without authority from Washington. The Postmaster General has cautioned them not to make further changes but evidence mounts that many have not yet received the message or, having seen it are ignoring it. In a word, the Department's official ZIP Code Directory is outdated, inaccurate, and useless to mailers at this moment.

The case of the Department's computer tape is another example of extremely poor planning. It is replete with errors and of no earthly use to mailers foolish enough to use it. One instance of a glaring error in the tape will suffice to demonstrate its inadequacy. The Department has an official book—No. 59—which gives the standard abbreviation of many towns in the United States. Wherever the word "Springs" is part of the town name, the official book urges mailers to use the abbreviation "Spq." That sounds simple enough. Unfortunately, the Department's computer tape violates a basic EDP rule and uses the abbreviation "Spqs." That extra "s" fouls up the mailer's tape whenever he tries to compare it with the Department computer.

It is getting late in the year. All of us are busy with many matters, including the coming campaign. Because I regard the chaos implicit in the Post Office Department's mandatory ZIP code order, I am giving the House this interim report of my subcommittee's findings. I wish it were possible to assure Members that the coming catastrophe will be avoided by the enactment of legislation which would assure the success of the ZIP code program without wreaking corporate destruction, but we will need the help of every Member to accomplish that result. On May 25 I wrote to the Postmaster General outlining all of my misgivings

about the ZIP program. The text of that letter follows my remarks. On last Friday I received a reply from Postmaster General O'Brien. As you will see from his letter Mr. O'Brien is quick to admit many of the deficiencies in the program, avoids the comment on other points in my letter, but declines to give administrative support to the legislation I proposed in my letter. He does offer some hope in the way of hardship exemptions to mailers who have done their best to comply without success, but in my judgment the proliferation of such requests for hardship extensions will prove to be a barrel of worms for all of us in Government. The granting of extensions involves the collection of postal revenues. Vast sums of money are involved. The pushing and tugging for hardship extensions will be fearful. Politics will somehow get involved but the Solomon does not exist who will be able to say aye or nay to the tens of thousands of petitions for relief which will descend on the Postmaster General, his aids, and us.

In turning down my suggestion for legislation to ameliorate the impact of ZIP code conversion on American business, Postmaster General O'Brien quoted an old saying:

"Nothing will ever be attempted if all possible objections must be first overcome."

It is his honest conviction that compulsory ZIP coding must be ordered even though the Department's EDP tape is faulty, the ZIP Code Directory is inaccurate, inadequate, and in short supply; even though the 600,000 postal workers from postmasters down do not understand the ramifications of the system and are thus unable to advise postal patrons of ways and means to best comply. I disagree with this approach. These faults are not minor. They represent major deficiencies which should be cured before businessmen are asked to accept compulsion. What the Department proposes is a far more complicated plan than getting an American on the moon. Many astronauts would be dead today if officials of the space agency overlooked major faults in its rocketry.

I will shortly introduce legislation to finance the planning essential for ZIP code success and to permit mailers to enter the program in more orderly fashion.

In my judgment, millions of dollars need to be appropriated for this purpose. Postmaster General O'Brien inherited a policy decision made not so much on the basis of poor planning but rather on lack of planning. With the help of Congress our able postal administrator can acquire the tools and the time necessary for the installation of a sound numbering system. I hope my colleagues will help me in this worthwhile undertaking.

For the edification of my colleagues, I am entering my recent letter to Postmaster General O'Brien on the subject of ZIP code, and his reply to that letter:

HOUSE OF REPRESENTATIVES, U.S.,
SUBCOMMITTEE ON POSTAL FACILITIES AND MODERNIZATION
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C., May 25, 1966.

HON. LAWRENCE F. O'BRIEN,
The Postmaster General,
Washington, D.C.

DEAR LARRY: The purpose of this letter is to outline some conclusions I have reached about the ZIP code program and to offer a suggestion for legislation which will help that needed program off the launch pad and into orbit. Just about everyone who has examined the system agrees that it holds the greatest hope for a modern, efficient postal establishment.

I must admit to an error in judgment when I submitted legislation early last year which would provide discounts for bulk mailers who would use the numbers and presort and bag their mail by ZIP. While it was the wrong approach, the bill did have the salutary effect of permitting all sides of the issue to be aired. I cannot be generous enough in my praise of all the postal officials who have helped make the hearings such a profitable dialogue on a very complex subject. Members of Congress are concerned with so many issues that it is not always possible to delve as deeply as they would like into side issues such as ZIP. The House must depend on the recommendations of subcommittees such as the one I head for information and guidance. I think you will agree that we have not merely scratched the surface of the issue but have probed it in great depth. The latest hearings have permitted an even finer inspection of claims and counterclaims than our sessions of last spring. We can now form intelligent judgments based on the information at hand. In capsule form here are some conclusions I have arrived at:

1. The ZIP Code concept is sound. Mailers, including all of those who have testified, believe in the program.

2. Once in full operation, ZIP will save the Department far more money than Mr. Gronouski predicted it would. I believe the savings will be in the hundreds of millions rather than the tens of millions.

3. The program was announced by Mr. Day at the time of his departure from the Department without sufficient advance planning. This haste to take credit for a new method of handling the mail has imperiled ZIP.

4. In spite of Mr. Day's premature announcement of the system, the Department cannot now withdraw from the January 1, 1967, date. Aside from suffering a loss of face, such withdrawal would have a bad psychological impact on the ordinary mail patron.

5. Those mailers who have had the necessary capital and tools to make the ZIP Code conversion acted in good faith and would be irked by failure to start the program on January 1st.

6. Congress will resent the overtones of rate-making which have attended the Department's testimony on ZIP. The setting of rates should remain with Congress. Many factors must be taken into account when the House and Senate reform the rate structure.

7. Mr. Gronouski was correct in informing the Congress of his belief that legislation should be enacted bringing large volume first class mailers under ZIP. No such legislation has been recommended by the Department.

8. The ZIP Code directory is an example of a hastily prepared document designed to meet a deadline rather than the carefully planned basic tool it must be. It resembles the camel put together by a committee trying to produce a horse. It, and the inadequate computer tape of the Department, unless improved will prove to be the Achilles heel of the program. The hearings have adduced sufficient testimony from both sides to prove conclusively that the bulk mailer does not presently have the tools with which to do the ZIP coding job accurately and efficiently. Once advised of this serious deficiency in the program, the Congress will resist compulsory compliance by anyone. Having admitted that much, we must all work together to provide the tools to assure compliance.

9. The January 1st date favors the large mailer over the smaller company. The Government must never provide the giant corporation with an advantage over the small businessman. The evidence developed by the Subcommittee shows conclusively that the cost of acquiring the proper numbers and putting them on plates and tape is by no means a small one. Inability to obtain directories (and inaccurate ones at that, I might say) has caused some panic among many small mailers who cannot cope financially with a crash program of conversion. These mailers need relief.

10. A serious question still exists as to the legality of the program. As Mr. Gronouski and many others have said before, the ZIP Code system is the most revolutionary change ever made in postal operations. I am just afraid that the program would be seriously imperiled if some mailer won a court test on the claim that the Department did not submit the revolutionary proposal under the Administrative Procedures Act. This, of course, is a tricky legal question. We should remove all doubt by enacting affirmative legislation on the subject.

11. Postal employees themselves, including highly placed supervisors, postmasters and top aides, still do not understand all ramifications of the program and are thus unable to assist and advise those mailers anxious to comply with the compulsory regulation. A vigorous training program is called for. ZIP is important to the nation and no effort should be spared to make it work. If money is needed by the Department, I and my colleagues on the House Post Office Committee can be lobbyists in that worthy cause.

12. An up-to-date "bible"—a new directory—should be produced in quantity. It should include the vital information about "locals" or "prestige communities", information which appears in the expensive publications produced by Rand-McNally and others, plus some that they cannot keep up with. Every letter carrier should have access to one. There should be several in the lobbies of post offices. The Federal Government alone will require a quarter million copies. Bulk mailers and other business concerns will require more than a million. Your present program of providing mail patrons with forms to gather the names of friends, relatives and business associates for proper ZIP coding would be more successful if such a "bible" existed presently.

13. An up-to-date computer tape, one which includes the locals and prestige communities, must be developed promptly. The Department should not have to be admitting publicly that the tape contains many errors and does not even conform to the standard abbreviations contained in the Department's own book No. 59.

14. The excepting of certain newspapers and bulk third-class mail for the numbering requirement has had and will continue to have a bad impact on the ordinary mail patron. If newspapers and "occupant mail" can get delivered without the numbers, why should he worry about the numbers? We must get numbers on every possible piece of mail. The scanning machines of the future will be expensive and useless toys unless we plan now to get a high percentage of mail ZIP Coded.

15. Bulk mailers themselves want the system to work. They have good ideas for improvements in the system. They recognize the need to cut costs. They are not unaware of the constant turnover in postal personnel and the ease with which employees can be recruited to sort mail by numbers rather than street addresses.

16. The granting of hardship extensions could prove to be the most complicated and politics ridden procedure ever adopted by government. No matter how written, the regulations could generate nightmares for the Department and Congress alike. Moreover, since large sums of money are involved in the granting of a lower rate of postage, there will be claims of favoritism, etc. in the granting of extensions. I am sure that none of us want to get involved in such gyrations.

All of these things being true, in my judgment, I should like to recommend Administration endorsement of a bill which I and many of my colleagues on the House Post Office Committee would introduce to legitimize ZIP Code by removing any legal cloud now hanging over it. We would spur cooperation by the application of a 5 percent penalty on bulk mail not ZIP Coded between January 1, 1967 and January 1, 1968, a 10 percent penalty between the latter date and January 1, 1969, and a 15 percent penalty thereafter until January 1, 1970, when no bulk mail would be handled except in ZIP Code sequence. Present regulations would pertain to those unable to ZIP Code. In my judgment, mailers would increase their efforts to come within the system under the impact of this legislation and that after two years little, if any, unzipped bulk mail would remain.

The recommended legislation would eliminate the need to grant hardship extensions. It would permit the small mailer to come into the system more gradually without suffering catastrophic conversions costs. Moreover, the bill would appeal to those companies, large and small, which will be ZIP Coded by January 1, 1967. In addition, the percentages could apply no matter what the rate of postage. The formula is simple and could be applied even if rates were to be readjusted in the 90th Congress.

I will leave to your judgment the desirability of inviting bulk first-class mailers into the program by offering them a 5 percent discount carrot. I believe this is the only feasible way to get the large first class mailers avidly behind the program. I would apply the discount to those mailing 5,000 pieces or more at any one time.

We live in an uncertain age, but of one certainty we have knowledge: the role of government is to assist the free enterprise system and not to invoke plans or schemes which retard it. I am fully convinced that, without modification, the road the Department is currently following will lead to destruction of a worthwhile program. Speaking as a Democrat I do not want my Party to be labelled as the one which attempted to foist on the American people an unworkable program; a Party which took a good idea and failed to make it work.

Cordially,

ARNOLD OLSEN, *Chairman.*

THE POSTMASTER GENERAL,
Washington, D.C., June 16, 1966.

HON. ARNOLD OLSEN,
*Chairman, Subcommittee on Postal Facilities and Modernization,
Committee on Post Office and Civil Service,
House of Representatives,
Washington, D.C.*

DEAR MR. CHAIRMAN: As I stated in my interim reply of May 27, 1966, your letter, covering in great depth the subject of the ZIP Code Program, was a most thoughtful one. We have studied it and have given serious consideration to your conclusions as well as your suggestions.

I personally wish to express my appreciation for the interest and assistance you have given this program. In particular, I want to thank you for the kind words you expressed in your letter about the postal officials here in the Department regarding their participation during your hearings.

As you said in your letter, the ZIP Code concept is sound. The Hearings which you have held have certainly delved into the program most thoroughly. However, in reviewing all that has transpired and analyzing the Status of where we are today, an old saying came to mind: "Nothing will ever be attempted if all possible objections must be first overcome." Certainly, all those who have taken a supporting interest in the ZIP Code Program can feel very comfortable in the thought that they have productively pursued an endeavor and constructively responded to objections as they were presented.

In regard to your remarks concerning the National ZIP Code Directory and our data processing tape file, I believe the staff here at the Department has the ability and the knowledge to correct whatever deficiencies may exist in the Directory and tape. Consequently, I have instructed the proper Departmental staffs to review them in depth. As a result, we are obtaining information from the field regarding the number of new streets open since publication of the January edition and information regarding other types of additional corrections that might be needed in the basic directory. It is becoming increasingly apparent that we must advance our next scheduled publication date of July 1967, because of the unusual demand for the current edition, and we now anticipate advancing that publication date somewhere between six and nine months.

In addition, I have directed our data processing specialists to make a critical analysis of the existing ZIP Code conversion file to determine what additional improvements can be made to increase its effectiveness. One important consideration is that we have planned for some time to convert the basic directory data, including all street listings, to computer format. This should be accomplished prior to the next edition of the ZIP Code Directory and will facilitate greater accuracy and flexibility in the maintenance and use of the data. Another advantage to the data processing format would be that it would permit the publication of periodical listing of new streets, perhaps on a quarterly basis, for the benefit of those mailers whose needs are such as to require this on that basis.

I agree that there is a real need for a national training program for postal employees, and I can report to you that the format of such a program is available but its implementation has been delayed for budgetary reasons. The funds, which will be in excess of two million dollars, have to be derived from our operating accounts. It does not appear that this sum will be available from our current monies and it is highly unlikely that we can borrow from the fiscal year 1967 appropriations as approved. In the event we again have to go to Congress for a supplemental appropriation, your support of these needed training funds would be deeply appreciated.

Our interpretation of your letter is that you are proposing two recommendations in addition to the constructive comments and conclusions.

One recommendation is, by means of legislation through the Congress, a law to be proposed, the language of which would have the same effect as the ZIP Code Regulations. Within your conclusions, you indicate a serious question still exists as to the legality of the program. Your recommendation of legislation, as you state, would remove any legal cloud now hanging over the program.

Before issuing these regulations, Postmaster General Gronouski consulted the General Counsel of the Department who advised him that such regulations were within his authority. I also have had my General Counsel review the matter and he also advises that the regulations are authorized.

The procedures followed in adopting the regulations fully comply with the requirements of the Administrative Procedure Act. A notice of proposed rule making was published in the February 17, 1965, Federal Register (30 F.R. 2152). That notice set forth the terms of the proposed regulations and invited the submission of written data, views and arguments concerning them to an official of the Department within the following 30 days. Thereafter, the Department received a substantial number of written comments and arguments. Departmental officials also conferred with various individuals and groups. As a result of the foregoing, the Department found some modification of the proposed regulations to be in the public interest. On July 1, 1965, the Department published in the Federal Register the regulations which insofar as are pertinent will become effective January 1, 1967, some 18 months after issuance. The Federal Register document (30 F.R. 8477) explains the changes in the proposal. Subsequently, these regulations were relaxed to provide that upon a proper showing mailers who could not come into compliance by January 1, 1967, would be allowed appropriate extensions of time.

A comparison of the steps taken in this matter with the requirements set forth in section 4 of the Administrative Procedure Act shows that all steps required by the Act have been followed and properly applied.

As indicated, the Department does not believe that new legislation is required to support the outstanding regulations.

The second recommendation contained in your letter is, again by legislation, postage rates applicable to second- and third-class would be adjusted upwards in increments if the mailer did not follow ZIP Code pre-sort regulations to be effective January 1, 1967.

In responding to this recommendation, it is my best judgment that the subject of legislation covering postage rate changes should not be presented to this session of the Congress. We are late in the session and, as you state, "many factors must be taken into account when the House and Senate reform the rate structure." As evidenced in the past, legislative action on the adjustment of postage rates, the time devoted to Hearings, and the deep study provided by Members of the Congress is a most time-consuming process, which is as it should be. We might relate this to the time, energy, and constructiveness your Committee Members have given to the ZIP Code Program, and we feel that the subject of postage rates would require at least as much time. Therefore, I would hope that I have your support in my recommendation that we not present the subject of postage rate changes to this session of Congress.

With the above being acceptable, we must, therefore, pursue the subject of providing extensions of time to those mailers who, for legitimate reasons, cannot fully ZIP Code by January 1, 1967. We now have in process and will shortly send to the field amplifications on our existing instructions covering extensions of time for noncompliers. This will include a form for the mailer to use so he can supply us with sufficient and necessary data on which we can make determinations. We ask the mailer to advise us of the total number of addresses on his list, the number of addresses ZIP coded, and the balance to be ZIP coded. We also ask him to advise us of the earliest practicable compliance date, and to inform us of the steps he has taken to date, which will permit us to render judgments on his intent. We want to know the source of his lists, whether they are supplied by List Brokers, customer correspondence, etc., and if they are lists of a permanent nature or if there is much turnover. We also desire to know if he is awaiting delivery of a particular piece of equipment, such as a computer, which may be the cause for delaying full conversion. Additional information, for example, would be whether the extension would be applicable to mailings issued on a repetitive basis or whether it is purely promotional mail. We would also want to know whether the applicant mails at more than one post office, so that each post office could be properly notified of the extension, if granted.

In addition to requesting the above information by form, our Customer Relations Officers in the Regional Offices or our Postal Service Representatives at Post Offices will personally visit and assist to the greatest extent possible all of those mailers who submit an application for an extension of time. This will be done before the Regional Director makes his decision on the application, and I will advise the Regional Directors to immediately begin this process and to make their determinations quickly.

I am confident that with the mutual cooperation of individual mailers, large and small, the American public, the Congress, and the Post Office Department we can move forward enthusiastically and produce the positive steps that all have indicated this worthwhile program will provide to the Postal Service of this country.

Again, let me thank you for the interest and cooperation you have personally given this program.

Sincerely yours,

LAWRENCE F. O'BRIEN.

Mr. POOL. Mr. Speaker, I wholeheartedly agree with the speech of my able colleague from Montana, Arnold Olsen, concerning the problems confronting mailers in meeting the ZIP code deadline. I think all of us agree that the ZIP code concept is sound. However, adequate attention must be given to these very real problems confronting the mailing industry and the Post Office. To further corroborate the points made in the speech by Mr. Olsen, I request that an article from the Reporter of Direct Mail Advertising of June 1966, be inserted in the Record at this point:

[From the Reporter of Direct Mail Advertising, June 1966]

ZIP CODE: PRESSURES MOUNT AS DEADLINE NEARS

(By Henry R. Hoke, Jr., publisher)

ZIP Code is in trouble. And we've got to continue talking toward a solution despite repeated statements from the Post Office Department that the program is set; that January 1, 1967 regulations stand. New evidence has been unearthed since my last report to you here (RDMA-May '66) which clearly indicates that neither the Department nor many, many of its largest customers are ready for a hard, uncompromising swing into a revolutionary new concept of filing and mailing within seven months.

Most of the new evidence is now a part of permanent record in Congressman Arnold Olsen's House Subcommittee on Postal Facilities and Planning. The new evidence was introduced in hearings held on May 3, 4, 11, and 19. Both the Department (May 3) and members of 'Harry Maginnis' Associated Third Class Mail Users testified (May 3, 4, 11).

Maginnis' group of five led the way in presenting unsettling testimony that there were many problems that lay in the way of early compliance. Glen Schneider of Schneider Addressing Service, Kankakee, Illinois, explained the impossibility of performing for General Foods, General Mills, Ocello & Armour Pharmaceutical beginning January 1. Seriously in jeopardy are millions of dollars in premium promotions. Richard Landsman of Greystone Press, John M. KeKating (complier annually of 1,600,000 college students); Norman Nelson, Consumer Marketing Research Services, Hackensack, N.J.; and Stan Woodruff of Ed Burnett, Inc., presented convincing testimony to the inadequacy of source documents for numbers, and for getting them on one time mailings at a time when public use of numbers is spotty and low.

And Joe Fitzpatrick entered a plea on May 11, for the Mail Advertising Service Association, Int'l. He reported on a survey to 500 members. 167 of 500 responded, and most of them objected to ZIP Code regulations.

This reporter also testified as an independent unaffiliated voice to (a) lend impact to our deepest conviction that the ZIP Code system is not ready; and (b) to present new evidence gathered in my continued fact-finding tours around the country.

The conflicting Department/mail-user testimony was so divergent in the first three days of testimony in May that Congressman Olsen made an unprecedented move in requesting a fourth hearing on May 19. He asked top Department ZIP Code specialists and knowledgeable business witness to appear before a special session of his Subcommittee. He wanted to personally witness an exchange between The Department and mailers rather than continue to hear unchallenged testimony in the usual manner. And he wanted the exchange recorded as a part of public record. This hearing occurred on May 19 in Conference B on the third floor of The Post Office Department. And *this reporter* again appeared as an independent voice, and in his capacity as a fact-finder for the business mail community.

The seriousness of the situation is well documented in a noontime speech given by Congressman Olsen before more than 1,000 attending Chicago Direct Mail Day (a record crowd) on May 17 at the Sheraton Chicago. Congressman Joe R. Pool, Democrat, of Texas, who attended the historic May 19 hearing, entered Olsen's strong message in the Congressional Record on May 24. We reproduce it following this report to give you the full import of what was said.

You might well ask why The Department continues to press its order in view of mounting pressure and evidence. The Department is fearful that any further "backing off" might signal a relaxation by business and the public in getting the numbers on their mail. They are also concerned that any change would be a breach of faith with those who have made a considerable investment in computers, new systems and who *think* they'll be ready by January 1.

And then there's the Postmaster General's Technical Advisory Committee. The Department is under the impression that there is unanimity for the date within this body. But there is not. The TAC is lopsided in its representation of the total business community. The majority on the TAC represent publisher interests. Those who represent daily and weekly newspapers, mass consumer publications and business papers say that they are in favor of keeping the date although there are many publishers who are privately opposed to a hasty imposition of ZIP Code Regulations, who need more time to join their contemporaries on computers.

Those who purport to represent computerized mailing list and fulfillment houses on the TAC say they *support* January 1, but do not truly speak for all computerized list and fulfillment houses, and certainly do not represent noncomputerized mail users.

This computerized direct mail group has made a substantial investment in hardware and software to be in an enviable position on January 1. They are fearful that their substantial investment may be seriously impaired if there is no rush to their doors by direct mail users caught in a mandatory bind.

This to me seems to be utter nonsense. The age of the computer is with us. The reasons for business' commitment to the computer extend far beyond ZIP Code. And ZIP Code is with us. We have gone too far to turn back, even though there must be changes in the regulations.

The Department is also concerned that any delay will lose for them the enormous cost savings they can have now from those 2nd and 3rd Class Mail users who can be ready. The Department is not saying, but they sense as we do, that the new distribution system could effect savings well above \$100 million a year. The solution here seems to be a return to a philosophy of rewarding those who can comply now while easing the impact, giving more time to those who have not been involved in the program since its inception.

One other point needs to be made. There is no opposition to the system from newspapers. Why? Because they are not involved. The Department some time ago exempted all mail users from putting the number on their mail if that mail could be delivered to the post office in numerical sequence. The practical effect of this exemption disinvolved the average smalltown newspaper from the program. If the paper serves a single ZIP Coded town or two, his publication is already in "numerical sequence." In Garden City (11530) The Garden City News does not have to use the numbers because 90% of its circulation is for 11530. And then many papers in many cities are carrier boy or newsstand delivered.

The unfortunate exemption also extended to the retailer mailing locally on his own or on an occupant list.

This exemption by the Department swept away two major selling forces of their program. With the local newspaper and/or the retailer with his shopper not having to use the number (in order to sort and sack), what must the average citizen think? That the program can't be very important?

Another point: representatives of the magazine publishing community have supported a January 1 date because they would rather accept this "cost" rather than accept further rate increases. (Mailing a publication under existing regulations is proving to be far simpler than mailing direct mail.) They, too, feel that ZIP Code will produce enormous savings and perhaps eliminate the need for any rate discussions for many years. We concur with this view, except who says that The Department and The Congress should not view an easing of the mandatory date as a further investment in the program to the degree anticipated savings will be delayed?

Thus these cross currents of views exist in what has appeared to be unanimity of support at an advisory level, although I'm sure that the supporters of the program are as shocked by now as The Department has been with the new evidence of serious problems.

I would like to highlight them for you:

THE DIRECTORY

A new one is needed and in great volume * * * in the millions. In addition to the sections of Clearwater and Sacramento that were left out by a contract printer in the current, late edition, there have been better than 250 changes reported by The Post Office Department. These do not include the changes which have innocently been made in multi-ZIP Coded cities since the directory closed last November 30, and revealed to you last month in my report.

Since that time, The Department has confirmed our findings that such changes have occurred without proper authorization from The Department. Postmasters, in continuing a long established practice of adjusting carrier routes, were actually moving streets from one zone to another to accommodate delivery. At this writing no one knows how many actual changes there have been, but there is evidence that it is widespread and could involve the ZIP Code number for hundreds of thousands of homes. So the directory is out of date on this score alone. Some system must be evolved to freeze the numbers, to instruct the 314 multi-ZIP Coded postmasters what is meant by an unauthorized ZIP Code change. We understand, too, that *3 digit numbers*, are being switched by The Department, unbeknown to mailers everywhere.

At the May 19 hearings, quite a case was made for including all towns in a new directory. In my tours around the country, one of the most frequent complaints I heard from people using the directories is that they can't find the number for many towns and for addresses based on building names. There are between 91,000 and 122,000 communities, political entities, what-have-you, in the United States. If you live in Muttontown, Long Island, New York, you cannot find your number in the directory. It is served by the Syosset Post Office and carried the 5 digit number of Syosset. The Post Office's position has been that the postal delivery address is the right address on mail, not the name of the prestige community which has no post office. When you realize that there are only 33,000 post offices serving 122,000 "communities" you begin to see how incomplete the directory is in terms of a useful tool for the public.

While the Post Office takes this restricted view of addressing, they dare not press the issue officially. They know that Congress would be sensitive to the public's cry if their community's name was forbidden in a postal address. The situation has been aggravated by The Department's program in recent years of closing 3rd and 4th Class Post Offices. I'm told that there used to be nearly 90,000 offices. But now there are approximately 33,000 plus branches.

Good news may be on the way, though. The Postmaster General at his news conference on May 19 announced that instructions are being issued to all postmasters to arrange to supply ZIP Code information by telephone on a regular basis during normal business hours. To be of necessary service, all post offices will need to have the ZIP Code number for every community of the land, which means that a new directory, with complete and accurate information, is going to be needed. The Department agreed at the May 19 hearing to take this under study. If they now agree to the change, it will be many months before this 4th revision can appear.

They will also need to study the quantity needed. Hundreds of thousands are needed at windows, switchboards, on public writing counters (This weekend I walked into a post office and spotted a directory chained to a writing counter in the lobby, but was horrified to see that it was a copy of the first directory issued in 1963, thoroughly out of date including the numbers for the 643 delisted multi-ZIP Coded cities). Enough new directories will be needed to supply the millions of reference points in businesses around the country. There are 4,000,000 businesses in these United States, plus government. Large national mailers need many copies throughout their organizations. Point is, that in this critical area alone, we are simply not ready for January 1967.

Closely related to this is The Department's computer tape. It does not work. It does not contain every community. It does not recognize The Department's own imposed standard abbreviations for cities and states. It does not help computer owners with zones in multi-ZIP Coded cities. This was brought out in hearings by Norman Carroll, computer expert Holy Ghost Missions, Stanley Woodruff of Ed Burnett, Inc. and Myron Kaufman of Publishers Clearing House. They also pointed out many clerical errors in the type. The proper tools have yet to be supplied to those who face a mandatory date in seven months.

SORTING AND SACKING

But if you think the numbers are bad, wait until you grapple with sorting and sacking. Those of you who read our weekly newsletter, *Friday Report*, already know about the discovery of recent weeks. All of us have been told repeatedly that there are 552 sectional centers and many have assumed that there are, therefore, 552 first three digits assigned out of a possible 999. Fact is, The Department has assigned 930 first three digit numbers. The importance of this does not show until your mail is sorted and sacked according to current regulations. In order to properly prepare mail to 552 sectional centers, you must know which three-digit number goes to which sectional center. If you do not have enough mail tied out to five digits, to make a third of a five-digit sack, you must place these bundles in the right three-digit bag, which can mean either a sectional center or a multi-ZIP Coded city (Chicago—606).

Important here is that there are 189 sectional centers which shepherd two to five first-three-digit numbers totaling 265 across the country, or 454 three-digit problems. Add to this 398 sectional centers involving just one three-digit number and you see that we are dealing with 852 sectional centers. To this must be added more three digit numbers reserved for the military and other purposes.

What does this mean? Greensboro, North Carolina, a sectional center, shepherds five first three digit numbers—270 to 274. If you discover that you do not have enough town bundles, tied out by five digits beginning with 274 to make a

direct town sack, you must determine whether you have enough bundles to make a third of a sack for all towns whose numbers begin with 274. If not, the mail handlers will have to know that 274 bundles must be sacked to 270. The same would apply to 273, 272 and 271. This complication far exceeds the ability of the mailhandler to scoop finished mail coming off a conveyor belt, and "compute" where this goes.

Thus, those who have been experimenting with sorting and sacking are finding that they must specially code the finished list run to tip off the mail handler what he is to do. A list in numerical sequence must be hand coded, preferably in red, with three to five different sacking symbols, or the mailing process slows to a snails pace with confusion, frustration and pyramiding costs. Those on computer are figuring several ways of adding a code during the addressing run. We have seen several. But those on old fashioned equipment must do it by hand after every list run. This was not told to us in the early diagrams put out by the Post Office Department to prove simple compliance. This is nowhere described in diagrams being handed out at meetings right now.

We have been mailing this magazine under the regulations as they are now written since February. The list is in numerical sequence. In consultation with the Duluth Post Office and the Minneapolis Regional expert, our plant determined that our list of labels in continuous form needed to be coded in red by hand, with five different symbols at every change in number, depending on what needed to be done with the bundle. And every month. Our plant claims it takes a girl 13 hours for this chore, and must be done if the conveyor belt is to maintain any decent speed. It really must be done on lists from a computer print-out, if some sort of symbolism isn't added during the addressing run. And here, I am told symbols are hard to see at high speed.

This system was confirmed in my visit to Lane Publishing, Menlo Park, California in May. They publish *Sunset*. Have 700,000 subscribers. Their plant notified them that they would not mail the magazine unless their "print-out" from Speedamat plates was marked in red with symbols. It has meant three extra people for the week during which the magazine run is made on five addressing machines. And every month.

This dissertation is in part news to you. But another purpose is to make the point that few know about this yet. The Department is just beginning to recognize the significance of this to the mailer mailing nationally, regionally, or significantly beyond the borders of a single town. Is a change indicated? What will happen to the thousands upon thousands of mailers who have not been privy to association bulletins, to our writings, to the meetings held for a hundred here and a hundred there? We anticipate chaos of immense proportions.

I am informed, much to my dismay, that this situation was fully discussed at a meeting of the Postmaster General's Technical Advisory Committee about a year ago. Why wasn't this problem brought back for discussion in association bulletins at that time, so that at least the insiders could go to work on exploring the problem. Why was this apparently a surprise to the Department at recent hearings? What can be done now in seven short months?

Exemptions? Or extensions for hardship cases? This was likewise thoroughly explored at the May 19th hearing. Harry Maginnis, Lee Epstein and Manny Cohen of Mailmen, Inc., Syosset, spoke at length about the potential inequities of that system; that it opened the door to 33,000 different opinions from 33,000 postmasters; would create a situation of slow, bureaucratic decisions. And by what guidelines? We're having a tough enough time getting the right numbers and reasonable sorting and sacking requirements. Isn't the real solution a compromise version of Arnold Olsen's original bills making the ZIP Code system a law, not a regulation; and delaying the program through the device of a reward for those who have fought this thing through and can make it, or a slight penalty to those who can't comply because of no real fault of their own? We think so.

One of the reasons *this reporter* decided to testify on May 4 was to make three points: (1) The Post Office Department did not appreciate the enormity of the problem for business in accepting a revolutionary filing system to replace many age-old ways of conducting business clerically. They miscalculated the time it would take for all of business to get ready. While the concept of ZIP was first announced in November 1962, the rules of the game were not made known until February, 1965, barely 16 months ago, after several years of repeated statements by the Department that ZIP would be voluntary.

(2) The ZIP Code system did not stabilize soon enough. The sweeping changes at the beginning of this year in which 643 multi-ZIP Coded cities were delisted to single ZIP status is a case in point. So is the continuing, innocent

changes being made in Multi-ZIP Coded Cities. The numbers finally need to be frozen, changes made systematically and *everyone* notified in a systematic way.

(3) The ZIP Code program is in trouble because of inadequate promotion in two important areas: (a) a massive training program for 600,000 postal employees; (b) a massive advertising and promotion campaign beamed to every corner of the land.

A real training program is desperately needed. We understand a manual has been written and sits on a Department desk. And has for some months. But The Department says it has no money to hire the large training staff, the tools and materials needed to get all employees talking the same language. The Department is apparently gun shy of Congressional Appropriation Committees. So the program sits. Consequence is that many business users of the mail, searching for answers, come away from their post offices with confusing interpretations and a feeling that the postal "experts" know less about the problems than questioning mailers.

Part II of an educational program is the real need for a paid advertising program to the public, produced by the smartest possible marketing team. Needed * * * an Asst. Postmaster General for Marketing to sit beside the ones for Transportation, Operations, Facilities, Personnel and the new one to be, Research and Development. The Department should not have to base the bed-rock of its promotion on the free help of key people from DMAA, Time, Inc., Readers Digest and McCalls.

Two years ago, The Department and Congress should have looked at this new product, ZIP Code, and hired themselves a first class advertising agency to produce a continuing, believable advertising program. From a practical matter, though, no self-respecting agency would have touched such a product until they saw that the product was ready for market. The product may finally be ready by the end of this year. A paid-for advertising program will sell the public, sell business, sell the employees, point everyone in the same direction with some confidence that this is a going concern. If 1% of sales is the formula, \$60,000,000 is needed for the project.

This whole subject is grist for another treatise on the need for government to recognize that marketing should be paid for to get best results, just as government must buy trucks, and buildings, and computers, and scales, and postage meters.

Be that as it may, we have all learned a valuable lesson in government. And we hesitatingly continue to believe that our present ZIP Code system is a reality, colored by the obvious fact that we need something to move the mail in the years ahead. We should try to make it work. We apparently must look to Congress, however, to work out a carefully written law and remove this important system from regulation a law which also defines perimeters beyond which The Department cannot go in making demands for sorting and sacking. There is a solution. There must be. You can do your part by understanding, experimenting, reporting your findings to Congressman Arnold Olsen, House of Representatives, Washington, D.C., 20515 and to Frederick C. Belen, Deputy Postmaster General, Post Office Department, Washington, D.C., 20260. You will want to send carbons to your associations, and if you think of it, to *this reporter*. We'll continue to look, listen and report our findings to you. But your participation is urgently needed.



