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90-46 **CONDITIONS OF MAILING AT SPECIAL
FOURTH-CLASS RATES**

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HEARING

BEFORE THE

COMMITTEE ON POSTAL RATES

OF THE

COMMITTEE ON

POST OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

ON

H.R. 19415

A BILL TO PROVIDE FOR A DELAY, OR A WAIVER, OF THE
CONDITIONS OF MAILING ARTICLES AT THE SPECIAL
FOURTH-CLASS RATE OR AT THE LIBRARY RATE, AND
FOR OTHER PURPOSES

SEPTEMBER 10, 1968

Serial No. 90-46

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CONDITIONS OF MAILING AT SPECIAL FOURTH-CLASS RATES

TUESDAY, SEPTEMBER 10, 1968

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

The subcommittee met, pursuant to notice, at 10 a.m. in room 210 Longworth House Office Building, Hon. Arnold Olsen (chairman of the subcommittee) presiding.

Mr. OLSEN. The subcommittee will come to order.

Our hearing today is on H.R. 19415, to provide for a delay, or a waiver, of the conditions of mailing articles at the special fourth-class rate or at the library rate, and for other purposes.

(The bill follows:)

[H.R. 19415, 90th Cong., second sess.]

A BILL To provide for a delay, or a waiver, of the conditions of mailing articles at the special fourth-class rate or at the library rate, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) articles which are nonidentical and presented for mailing in quantities of one thousand or more in a single day, prior to July 1, 1969, at the special fourth-class rate or at the library rate, under section 4554 of title 39, United States Code, shall be accepted for mailing at such rate, as applicable, without regard to any order that may have been issued under subsection (e) of section 4554, relating to the authority of the Postmaster General to direct the manner of mailing articles (books, records, and certain other articles), when mailed in quantities of one thousand or more in a single mailing.

(b) The Postmaster General shall waive, for such period or periods as he deems equitable with respect to all or any class of mailer or any individual mailer concerned, any or all requirements imposed under subsection (e) of section 4554 of title 39, United States Code, with respect to the manner of addressing and preparation of the mail of such mailer, upon a certification and a reasonable showing by such mailer that, in good faith, such mailer is unable to comply with such requirements because of financial hardship, inability to obtain proper equipment, or such other reasons as the Postmaster General deems appropriate.

Mr. OLSEN. Our witnesses from the Department are our old friends, Mr. William McMillan, Assistant Postmaster General, Bureau of Operations; Mr. Timothy May, General Counsel; and Mr. Ralph W. Nicholson, Assistant Postmaster General, Bureau of Finance and Administration.

You gentlemen proceed as you wish.

STATEMENT OF HON. W. M. McMILLAN, ASSISTANT POSTMASTER GENERAL, ACCOMPANIED BY HON. TIMOTHY J. MAY, GENERAL COUNSEL, AND HON. RALPH W. NICHOLSON, ASSISTANT POSTMASTER GENERAL, BUREAU OF FINANCE AND ADMINISTRATION, POST OFFICE DEPARTMENT

Mr. McMILLAN. Thank you, Mr. Chairman and members of the subcommittee.

On September 5, 1968, the chairman of the Committee on Post Office and Civil Service transmitted H.R. 19415, and by his letter requested the Postmaster General to furnish the committee, no later than September 10, 1968, a report on this bill, which provides for a delay, or a waiver, of the conditions for mailing articles at the special fourth-class rate of postage.

In response to that request, the Department is today submitting an unfavorable report to the chairman of the Committee on Post Office and Civil Service. For the benefit of the Subcommittee on Postal Rates, I will, with the chairman's permission, read the Department's report.

(The report and proposed rule-making follow:)

THE POSTMASTER GENERAL,
Washington, D.C., September 10, 1968.

HON. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for a report on H.R. 19415, a bill "To provide for a delay, or a waiver, of the conditions of mailing articles at the special fourth-class rate or at the library rate, and for other purposes."

The bill provides in subsection (a) that non-identical pieces of special rate fourth class mail presented for mailing prior to July 1, 1969 in quantities of one thousand or more in a single day shall be accepted by the Postmaster General without regard to any order he may have issued relating thereto under 39 U.S.C. § 4554(e).

Subsection (b) directs the Postmaster General to waive, for such period of time as he deems equitable, any or all requirements imposed under 39 U.S.C. § 4554(e) which deal with the manner of addressing and preparation of the mail, upon a certification and reasonable showing that the mailer cannot comply with the requirements because of financial hardship, inability to obtain proper equipment or other reasons deemed appropriate by the Postmaster General.

Authority to issue regulations in this area was granted by the Congress in section 108(a)(6) of the Postal Revenue and Federal Salary Act of 1967 (P.L. 90-206, approved December 16, 1967). That section added the following new provision to Section 4554 of Title 39 U.S.C. the section governing Special Rate Fourth Class Mail:

"(e) Articles may be mailed under this section in quantities of one thousand or more in a single mailing, as defined by the Postmaster General, only in the manner directed by him."

On June 29, 1968 the Department published a Notice of Proposed Rule Making to implement this new law. The proposal would have required effective October 1, 1968 that identical pieces mailed in quantities of 1000 or more be sorted and sacked to the first 3 digits of the ZIP Codes and effective January 15, 1969 that all pieces (whether identical or not) included in a mailing of 1000 or more pieces bear the full ZIP Code and be sorted and sacked by 3 digit ZIP Code areas.

As the Committee is aware considerable objection was raised to the second stage requirement. Accordingly, in order to meet the objectives as far as possible without losing the financial and operating savings envisioned by the proposal, the Department in finally adopting the regulations on August 5, 1968 modified the second stage.

As adopted, the regulations rather than requiring non-identical pieces to be sorted and sacked to 3 digit ZIP Code areas, require only that they be sorted and sacked to states. In addition mailers will not be required to merge the non-identical pieces with identical pieces as the proposed regulations contemplated.

The presorting of special fourth class rate materials does not present the same difficulty which some second and third class mailers experienced in achieving the five digit presort they are required to make. Sorting of the non-identical pieces to states is necessarily a manual operation which does not involve the use of sophisticated equipment which some of the mailers found they needed nor a substantial revision of mailers' operations.

The only resources required are manpower, sacks and sack racks. We know of no reason why manpower should not be available; the Department furnishes the sacks and is in a position to lend sack racks to mailers until they can acquire their own. Consequently, we foresee no technical difficulties in coming into compliance with the regulations.

It follows that delay of the application of the regulations to non-identical pieces would not be necessary to allow mailers time to prepare for compliance.

It is true, of course, that the mailers will experience additional costs by reason of the sorting of non-identical pieces, but in our view this cost will not be substantial and will be offset by cost reduction in the postal service. While the postal field service has been exempted from the manpower ceilings which the Revenue and Expenditure Control Act of 1968 imposed on the Executive Branch, it is still covered by the \$6 billion expenditure reduction. In this posture the Department would be remiss in its duty if it failed to exercise the authority granted in 39 U.S.C. 4554 (e) and thereby incurred unnecessary expenses.

Articles in the special rate fourth class category not only contribute greatly to the Department's expenditures but also add greatly to those postal costs which must be met from general taxation.

The 1967 Cost Ascertainment Report shows total volume of these mailings as 239,247,000 pieces producing \$63,138,000 revenue. The apportioned costs are shown as \$143,756,000 and cost coverage as only 43.9%. Thus, the taxpayers lose \$80,618,000 annually, and this regulation is designed to recapture only \$4,044,555. In other words, after this regulation is fully effective the taxpayers will still be subsidizing this category of mail in the sum of \$76.6 million annually. This, indeed, is a heavy subsidy by the taxpayer.

A survey made by the Department in June of this year identified 105 mailers of fourth class special materials who mail 1,000 or more pieces a day. These mailers generate 161.2 million pieces of this category of mail. Thirty seven of these firms maintain mail rooms manned by postal employees. We used 650,968 postal manhours costing \$2,935,866 in these plant mail rooms to process their mail. The other firms deposit their mailings directly at post offices and the man-hour cost of processing is included in the total cost recapture shown above.

The volume of Special Fourth-Class Rate mailings increased more than 9% in Fiscal Year 1967 over Fiscal Year 1966. Based on this rate, we estimate we handled a total of over 260 million pieces in Fiscal Year 1968.

During the course of the consideration of these regulations the Department's authority to regulate mailings of non-identical pieces was questioned.

The language of the law does not in any way indicate that the Postmaster General's authority is limited to identical piece mailings and its legislative history does not establish limitation to identical piece mailings. Neither the House nor the Senate Committee report suggests any limitation.

Assistant Postmaster General Nicholson's testimony before the Postal Rates Subcommittee on H.R. 7977 touched on this provision. While he described the quantity mailings in the Special Fourth Class Rate category as tending to be uniform he did not state or imply that the section involved applied only to identical piece mailings. The pertinent testimony is as follows:

"In the case of the other citation where we do specify 1,000, that is in connection with special material in fourth-class mail where the nature of that material is somewhat better known to us. It is books or records. And much of it is used in connection with book clubs or record clubs.

"These materials tend to be uniform, mailing after mailing, and there are quantities of identical pieces.

"So that we felt on a little more sound ground when we identified 1,000 pieces as being a correct number from an operating point of view, and we felt that 1,000 pieces would not inconvenience unduly the mailers, because we knew the kind of mailings they were giving to us." (P. 66 of the hearings.)

This testimony merely describes the nature of the large volume special fourth class mailings. It does not purport to state the coverage of this provision in the bill.

For the foregoing reasons, the Department is opposed to the enactment of this legislation.

Due to the urgency of your request, the Department has not been able to secure the advice of the Bureau of the Budget concerning the relationship of this report to the program of the President.

Sincerely yours,

W. MARVIN WATSON.

PROPOSED RULE MAKING
POST OFFICE DEPARTMENT
[39 CFR Part 135]

FOURTH CLASS—CONDITIONS FOR MAILING 1,000 OR MORE PIECES IN A SINGLE MAILING
AT THE SPECIAL FOURTH-CLASS RATE OR AT THE LIBRARY RATE

Notice is hereby given of proposed rule making consisting of the addition of a new paragraph (a) (6) of § 135.2 of Title 39, Code of Federal Regulations. The proposed addition of new paragraph (a) (6) is made pursuant to authority in section 108(a) of Public Law 90-206 approved December 16, 1967, and would prescribe presorting requirements of articles mailed in quantities of 1,000 or more pieces at the special fourth-class rate or at the library rate. The proposed presorting requirements would be effective in two stages, the first on October 1, 1968, and the second on January 15, 1969. The first stage requirement would provide that identical pieces presented in quantities of 1,000 or more in a single day be separated and placed in sacks by the mailer, and the second stage requirement would provide that each piece presented in a single day of 1,000 or more pieces include the complete ZIP Code in the address and be merged and presorted by three-digit ZIP Code area.

Interested persons who may wish to submit written data, views, and arguments concerning the proposals may submit such comments to the Director, Classification and Special Services Division, Bureau of Operations, Post Office Department, Washington, D.C. 20260 at any time prior to the 30th day following the date of publication of this notice in the Federal Register.

The proposed new paragraph (a) (6) of § 135.2 reads as follows:

NOTE: Effective October 1, 1968, § 135.2(a) (6) will read as follows:

§ 135.2 Classification.

- (a) *Description.* * * *
- (6) Pieces which are identical, presented in quantities of 1,000 or more in a single day for mailing under subparagraphs (4) or (5) of this paragraph, must be separated by the mailer and placed in sacks as follows:
- (i) When there is sufficient quantity for a three-digit ZIP Code area to fill a sack approximately one-third full the mailer must place the pieces in a sack labeled for this area.
- (ii) If the pieces remaining after the three-digit sort for any state are sufficient to fill a sack approximately one-third full they must be placed in a sack labeled for the state.
- (iii) All pieces remaining after the State sacks have been prepared, must be placed in sacks labeled "Mixed States".
- (iv) The total weight of pieces placed in one sack must not exceed 80 pounds.

* * * * *

NOTE: The corresponding Postal Manual section is 135.216.

NOTE: Effective January 15, 1969, § 135.2(a) (6) will read as follows:

§ 135.2 Classification.

- (a) *Description.* * * *
- (6) Mailers who present 1,000 or more pieces in any single day for mailing under subparagraphs (4) or (5) of this paragraph, must prepare the mailings as follows:
- (i) Each piece must include the complete ZIP Code in the address.

(ii) All pieces must be merged and presorted by three-digit ZIP Code area. When there is sufficient quantity for a three-digit ZIP Code area to fill a sack approximately one-third full, the pieces must be placed in a sack labeled for this area.

(iii) If the pieces remaining after the three-digit sort for any State are sufficient to fill a sack approximately one-third full, they must be placed in a sack labeled for the State.

(iv) All pieces remaining after the State sacks have been prepared, must be placed in sacks labeled "Mixed States."

(v) The total weight of pieces placed in one sack must not exceed 80 pounds,

* * * * *

NOTE: The corresponding Postal Manual section is 135.216.
(5 U.S.C. 301, 39 U.S.C. 501, 4554 (e))

TIMOTHY J. MAY,
General Counsel.

[F.R. Doc. 68-7846; Filed, June 28, 1968; 8:48 a.m.]

TITLE 39—POSTAL SERVICE

Chapter I—Post Office Department

PART 135—FOURTH CLASS—CONDITIONS FOR MAILING 1,000 OR MORE PIECES IN SINGLE MAILING AT SPECIAL FOURTH-CLASS RATE OR AT LIBRARY RATE

Correction

F.R. Doc. 68-9465 appearing at page 11170 of the issue for Wednesday, August 7, 1968, is corrected to read as follows:

In the daily issue of June 29, 1968 (33 F.R. 9554) the Department published a notice of proposed rule making consisting of the addition of a new paragraph (a) (6) to § 135.2 of Title 39, Code of Federal Regulations. The proposed addition of new paragraph (a) (6) was made pursuant to authority in section 108(a) of Public Law 90-206 approved December 16, 1967, and prescribed presorting requirements or articles mailed in quantities of 1,000 or more pieces at the special fourth-class rate or at the library rate. The proposed presorting requirements were to be effective in two stages, the first on October 1, 1968, and the second on January 15, 1969. The first stage requirement provided that identical pieces presented in quantities of 1,000 or more in a single day be separated and placed in sacks by the mailer, and the second stage requirement provided that each piece presented in a single day of 1,000 or more pieces include the complete ZIP Code in the address and be merged and presorted by three-digit ZIP Code area.

Interested persons were given 30 days in which to submit written data, views, and arguments concerning the proposals. After consideration of the comments received, the Department has concluded to adopt the original proposals with the exception that the second stage provision now only requires that non-identical pieces be merged and presented by State and not by the three-digit ZIP Code area. Accordingly, new paragraph (a) (6) of § 135.2 reads as follows and will be effective on October 1, 1968, and January 15, 1969, as noted:

NOTE: Effective October 1, 1968, § 135.2(a) (6) will read as follows:

§ 135.2 Classification.

(a) *Description.* * * *

(6) Pieces which are identical, presented in quantities of 1,000 or more in a single day for mailing under subparagraphs (4) or (5) of this paragraph, must be separated by the mailer and placed in sacks as follows:

(i) When there is sufficient quantity for a three-digit ZIP Code area to fill a sack approximately one-third full, the mailer must place the pieces in a sack labeled for the area.

(ii) If the pieces remaining after the three-digit sort for any State are sufficient to fill a sack approximately one-third full they must be placed in a sack labeled for the State.

(iii) All pieces remaining after the State sacks have been prepared, must be placed in sacks labeled "Mixed States."

(iv) The total weight of pieces placed in one sack must not exceed 80 pounds.

* * * * *

NOTE: The Corresponding Postal Manual section is 135.216.

NOTE: Effective January 15, 1969, § 135.2(a) (6) will read as follows:

§ 135.2 Classification.

(a) *Description.* * * *

(6) Mailers who present 1,000 or more pieces including both identical and nonidentical pieces in any single day for mailing under subparagraph (4) or (5) of this paragraph must prepare the mailings as follows:

(i) Each piece must include the complete ZIP Code in the address.

(ii) Identical pieces (nonidentical pieces may voluntarily be merged with identical pieces).

(a) When there is sufficient quantity of identical pieces for a three-digit ZIP Code area to fill a sack approximately one-third full the mailer must place the pieces in a sack labeled for the area.

(b) If the identical pieces remaining after the three-digit sort for any State are sufficient to fill a sack approximately one-third full they must be placed in a sack labeled for the State.

(c) All identical pieces remaining after the State sacks have been prepared must be placed in sacks labeled "Mixed States."

(iii) Nonidentical pieces.

(a) All nonidentical pieces must be merged and presorted by State. When there is sufficient quantity for a State to fill a sack approximately one-third full, the pieces must be placed in a sack labeled for the State.

(b) All nonidentical pieces remaining after the State sacks have been prepared, must be placed in sacks labeled "Mixed States."

(iv) The total weight of pieces (identical or nonidentical) placed in one sack must not exceed 80 pounds.

* * * * *

NOTE: The corresponding Postal Manual section is 135.216.

(5 U.S.C. 301, 39 U.S.C. 501, 4554(e))

TIMOTHY J. MAY,
General Counsel.

AUGUST 5, 1968.

Mr. McMILLAN. Mr. Chairman, there are a few points I would like to reiterate on this subject. First of all, the principal users of this special fourth-class rate are primarily large-scale commercial book and record club activities and the cost coverage to the Department, based on fiscal year 1967 statistics, is only 43.9 percent—a subsidy costing the taxpayers of this country in excess of \$80 million annually.

We recognize the determination of this rate structure is the prerogative and the responsibility of the Congress. On the other hand, we also recognize that Congress passed Public Law 90-206 containing the enabling legislative clause giving the Postmaster General the authority to prescribe the conditions for mailing. Recognizing that the cost-revenue relationship is what it is, the Postmaster General feels he would be remiss in not implementing section 108 of Public Law 90-206.

The proposed regulations which H.R. 19415 is directed at delaying represent, in the Department's viewpoint, a modest approach to an improvement of the cost coverage on this class of mail. In fact, the total program involving both steps of our proposed rules are estimated to reduce operating costs by \$4,044,555—a modest burden asked of mailers for preparation of their materials measured against the deficiency in this category of over \$80 million.

The Postmaster General has previously informed both the chairman of the Senate Committee on Post Office and Civil Service and

yourself that he did not feel he would be properly discharging his responsibilities if he extended the effective date from January 15 to July 1, 1969, and/or increased the daily mailing provision from 1,000 to 5,000 pieces.

It has been stated that the Postmaster General has been unresponsive to congressional and mailer representations regarding the impact of the January 15 regulations. Respectfully, Mr. Chairman, we feel this is not the case. By letter dated August 3, 1968, the Postmaster General informed your subcommittee that based upon its representations as well as those of affected mailers, he had decided to dramatically lessen the impact of the final regulations he was publishing as contrasted to the regulations proposed in the initial notice.

The proposed regulation as now published is considerably less stringent, less costly, and more easily conformed to. The change was two-fold. First, it eliminated the requirement that nonidentical pieces be merged with identical pieces. Secondly, it reduced the sorting requirements for nonidentical pieces from a three-digit ZIP code area short to a much less sophisticated State sort.

It has also been represented that the Postmaster General has not fully considered an industry proposal which would have increased the daily mailing provision from 1,000 to 5,000 pieces and the industry would be willing to presort and sack mailings in excess of 5,000 pieces to the full five-digit ZIP code areas effective October 1, 1968, in return for deletion of the January 15, 1969, second step.

This again is not the case. That proposal, submitted separately and as a part of your letter of July 18, 1968, was carefully considered before publication of the final rules on August 7, 1968.

It was not felt this proposal could be accepted for several reasons. It was not consistent with the purpose of the basic law, Public Law 90-206, which provided that single mailings of 1,000 or more pieces should conform to the Postmaster General's rules defining the conditions of mailing.

The 5,000-piece minimum requirement would have eliminated the majority of the users of this category from any premailing requirements, thus shifting the burden to a minority of users. Also, the overall cost reduction to the Department would not have been as great since we would still be required to retain the operation of detached postal units in many mailers' plants for the purpose of sorting and sacking quantities of identical pieces in less than 5,000 daily lots and for all nonidentical pieces.

Mr. Chairman, it has also been stated that a large number of postal employees will lose their jobs by the impact of this regulation. This is also not so. At present there are 348 career postal employees engaged in doing this work in mailers' plants. There are also 157 temporary non-career employees. These are the employees who will be affected by both steps of the regulations. While less than half of the total are affected by the January 15, 1969, stage, I want to assure you, Mr. Chairman, no career employee will lose his job because of this regulation.

All career personnel made surplus will be offered reassignments in accordance with article XII of the national agreement negotiated with the postal employee organizations having exclusive recognition. It is estimated that at least one-half of the career employees involved can

be accommodated in existing vacancies at their own post offices. An effort is being made to hold vacancies occurring as near as possible to the present location of the remainder to offer them reassignments. We do not anticipate any problem in locating vacancies within a reasonable commuting distance, except at only four locations, Crawfordsville and Terre Haute, Ind.; Hanover, Pa., and Rochelle Park, N.J. Any employee whose residence must be relocated, of course, will receive moving, mileage, and per diem allowances as well as reimbursement for movement of household goods in accordance with the standardized Government travel regulations.

Mr. Chairman, to summarize, the Department is opposed to the enactment of H.R. 19415, for the reasons enumerated in our formal report to the chairman of the Committee on Post Office and Civil Service and elaborated upon in my statement. The Postmaster General feels (1) he has been responsive to the congressional and mailer representations on this issue, (2) he has made a significant modification to the proposal which is much less stringent on the mailers while at the same time enabling the Department to realize a significant portion of the cost reduction anticipated by his earlier proposal (3) he would not be discharging his responsibilities to the taxpayers if he delayed the effective date and (4) any career postal employees made surplus by the new requirements will be accommodated.

If the subcommittee has any questions for the departmental staff, we will be glad to respond.

Thank you very much.

Mr. OLSEN. Thank you very much, Mr. McMillan. As usual, you have done a splendid job of presenting the Post Office Department's position to this committee.

Do either of the other gentlemen have anything to add?

Mr. MAY. No, sir.

Mr. NICHOLSON. No, sir.

Mr. OLSEN. The authorization to issue these regulations was enacted last December, is that your point?

Mr. McMILLAN. December 16, I believe, 1967.

Mr. OLSEN. I wonder, did the Department at that time consider the issuance of these regulations to be urgent?

Mr. McMILLAN. We felt, Mr. Chairman, that it was a congressional mandate and it was urgent from the standpoint that we felt we had to give it attention as soon as possible after giving attention to other mandatory steps of the postal rate increase law. We began giving attention to this, I believe, about April or May of 1968, with the result that we finally issued the first rulemaking proposal in June.

Mr. OLSEN. From my vantage point I did not know that the Department gave any urgency to this situation at all. As a matter of fact, it escaped me in the language of the bill. I wonder, did the Post Office task force organize a study of this matter?

Mr. McMILLAN. We had out of my shop probably four or five people who actually traveled physically to many of these various plants to ascertain the problems. Then we worked with Mr. Nicholson's Bureau of Finance and Mr. May's General Counsel Office in coming up with what we thought originally was a reasonable proposal. This is the one that was published in June.

Mr. OLSEN. Is there any report of a task force of the Post Office Department on this matter?

Mr. McMILLAN. No public report, Mr. Chairman. I had an oral report from the members of my staff quite frequently during this time.

Mr. OLSEN. No written report to the Postmaster General?

Mr. McMILLAN. No, sir.

Mr. OLSEN. How did you arrive at the estimate of savings?

Mr. McMILLAN. I will defer to Mr. Nicholson.

Mr. NICHOLSON. We made a national survey, Mr. Chairman, to identify those mailers who had quantities of this type of mail. We did identify that there were 105 mailers who had a quantity of mailings that indicated they would mail 1,000 or more pieces per day. We then did a cost analysis of that mail and we found that the total cost of detached mail units, that is, postal employees at the plants in this group of mailers, has an annual cost of \$2,935,866.

We based our savings on the assumption that all of the postal employee costs at detached mail units could be recaptured. We then analyzed the distribution and platform costs. In other words, the operating costs in the system that would follow from additional sortation that the regulation provided. Interestingly, and I would like to say this in a most commendatory way, the 105 mailers who had a volume of 1,000 or more per day mailed 161.2 million pieces. This is 67 percent of all of the pieces mailed in this category.

Of the 161.2 million pieces, all except 31 million pieces, nearly 32 million pieces, are already receiving a three-digit ZIP code sort. There is a very high degree of voluntary compliance on the part of these 105 mailers, and only 37.7 million pieces still remain to get a ZIP code sort. Thus, the distribution savings and the platform handling savings at post offices is dependent upon the conversion of this relatively small proportion of 31.7 million pieces to a ZIP code sort.

We did determine that the savings of the distribution on this 31 million pieces would save \$954,800 in distribution costs and \$153,800 in platform handling costs. Those three figures that I have now given you do total \$4,044,555 as the annual savings from the implementation of these regulations.

Mr. OLSEN. I have no questions.

Mr. JOHNSON?

Mr. JOHNSON. Thank you, Mr. Chairman.

Mr. Olsen and myself, and I am the minority chairman of this rate subcommittee, spent all last year and worked very, very hard in studying the entire rate structure of our Post Office Department. We caused a great deal of hard feelings, but we did come up finally with a rate bill.

I will address myself to what we did to this particular category. While the figures that you show here are for 1967, which do not give effect to the rate increases, you indicate that they are paying 43.9 percent of their way and that the deficit is \$80 million annually. I just happen to have in front of me the report from the Senate on the final bill. It would appear that before we raised the rates on fourth-class books, records, films and other materials they paid \$46.3 million in gross rates.

We raised the rates so that this year you are going to receive \$57.8 million from them, an increase of \$11.5 million, or an increase of 25 percent over the previous amount that you took in which was \$46.3 million.

We on the rate subcommittee didn't take any brief against that, and the book people, and others, are willing to pay their increase in postage rates which from my figuring amounts to about a 25-percent increase.

Now, if you on top of this raise, which we have put on those companies, add another \$4 million, that will mean that their increase in postage rates will be \$15.5 million and you equate that against the previous income of \$46.3 million, you have an increase in postage rates to these people of 33 $\frac{1}{3}$ percent.

There are other categories, like second-class mail, which now are paying only 33 $\frac{1}{3}$ percent of their costs which amounts to a subsidy of \$265 million to them.

My heart goes out to these people because I think the dissemination of books and records is the only fine thing left in the world today. I think that you are singling these people out right now at a time when we have not had hearings on the proposal, and I understand we were going to have cost ascertainment hearings which would bring in everybody and we would decide just what everybody should pay. We might re-examine whether the second-class people should continue to have their subsidy because of their educational value to the Nation. In this sordid era of riots and all the grim things of life, about the only decent things left are these wonderful books and records. Maybe it is proper that these companies absorb this \$4 million of extra expense, but it seems like they are taking a little bigger jolt, let us say, than we indicated to them they would have to when we had these hearings last year.

Do you have a comment on that? First, my figures and, secondly, my philosophy on this.

Mr. NICHOLSON. Yes, sir. On the figures themselves, the numbers that I have are somewhat different. Your approach is exactly right. There is one additional factor in the figure area I should mention. In addition to having the rates increased by Public Law 90-206, the rates of pay were also increased. Without either the rate increase or the pay increase factors in, the public service difference charged to the taxpayers, as Mr. McMillan says, was over \$80 million. The combination of adding new rates and new rates of pay did make a slight improvement in that figure. When both are taken into effect and the pay is fully effective, the public service loss will be just under \$80 million, \$79 million-plus.

Mr. JOHNSON. Would you stop there? You mean for 1968?

Mr. NICHOLSON. No, sir; when ultimately effective, when the three steps of the pay increase are all applied and the rate increase is applied in the annual rate, the annual difference between the additional revenue from new postage rates and the additional cost of new pay rates leaves us about \$1 million of additional revenue net.

I, too, of course, am very impressed with the value of books and records in our society. However, I do raise the question whether or not the concessionary postage rates does contribute as much to the society as perhaps some other approach. What I have in mind is this:

A student at MIT a short time ago did an analysis of concessionary postage rates and in this area he raised I think some interesting points. At the time the study was done, the public service deficit paid for the taxpayers was \$63 million. Today it is \$80 million, and, as I indicated, after the pay and rates change it will be \$79 million. He was discussing what \$63 million of concessionary postage would provide in the way of books and records to the country if it were applied directly. He found that \$63 million would provide a 100-percent increase in the annual number of books purchased by all libraries in the United States. Or \$63 million would provide for the hiring of 10,000 elementary schoolteachers, which would be a 1-percent increase in the total teaching staff of the country.

Mr. JOHNSON. Would you stop there?

Mr. NICHOLSON. Yes, sir.

Mr. JOHNSON. Did he also equate what great good would come to the Nation if we did not have the \$265 million deficit in second-class mail?

Mr. NICHOLSON. No, sir, he did not.

Mr. JOHNSON. He didn't do that?

Mr. NICHOLSON. No, sir.

Mr. JOHNSON. Just singled out books and records?

Mr. NICHOLSON. It happened this was the part of the analysis that he was most interested in.

The \$63 million would also provide 10,000 4-year scholarships or 66 orchestras like the Philadelphia Symphony, which would be a 260-percent increase in the number of such orchestras in the country.

On the other hand, the average parcel of books or records shipped gets about a 30-cent postage concession, and to evaluate what the \$63 million buys, I think you would have to ask, how many people who would not otherwise buy a \$5 book would buy it for \$4.70.

Or how many people that bought ten books would buy an 11th book at this rate of savings. And whether or not the postage concession actually provides for a basic and useful extension of the reading of books or the hearing of records, whether or not the increase provided through that kind of a postage concession was as great as or less than the amount of reading and of listening to music provided through these other ways of spending the same amount of money.

Mr. JOHNSON. Then your argument would be that apparently you envision some day no category of mail will enjoy any subsidy; that would go for the second-class book rate and everything? You are arguing if we didn't have that subsidy to the book rate and that \$63 million was available to spend on social progress functions, we would have all these beautiful orchestras and everything throughout the Nation?

Mr. NICHOLSON. I confess that I have ranged from the immediate subject before us, but I do think it is an interesting consideration. We are now spending over \$600 million in public service allowances, and I raised the question in general whether or not Congress really is viewing seriously—and perhaps we, too, are not viewing seriously—what alternative benefits could be provided by the expenditure of \$600 million that contributes to the welfare, education, religious life, fraternal life, veterans, labor activity of this country, and whether or not the \$600 million expended, a nickel here and a dime there, would be

better spent if it were directly appropriated for the end purposes of the education and welfare of the country.

Mr. MAY. May I make a comment?

Mr. JOHNSON. Go ahead.

Mr. MAY. I think that we are all aware of the fact there are good books and bad books and good records and bad records. They all get the benefit. Not only does the Bible get the preferential rate but several books that the committee members consider obscene all travel at the concessionary rate. Likewise, in addition to the excellent second-class publications that move at a very handsome subsidy, we likewise have some magazines against which we have now just recently secured an indictment, criminal indictment for sending through the mail. All of this goes at the same rate. Some good, some bad.

In addition to having Beethoven records move through the mail, we have a number of records that move that an entire system of independently owned radio stations have agreed would be banned from the air because their lyrics are so obscene; they think they are so obscene. Those kinds of records move through the mail as well. There are a lot of pluses and minuses in this. I do not think that it is really up to us at this point to second-guess the Congress because the Congress has decided, although we could differ. We are raising the question that there could be a greater benefit to the national interest if this subsidy were spent in a different way.

Congress has up to this point, decided that this is the best way to spend these general tax revenues. However, just as in the case of the second class, although Congress decided second class was going to get a substantial subsidy, it also said the subsidy was given on the condition that the second-class mailer will help a little bit and will comply with the Postmaster General's regulations on how this matter shall be mailed.

Again, Congress considered what rate would be charged for preferential fourth-class mail last December; when it enacted the law. At that same time Congress, in effect, said we are going to continue this very substantial subsidy for this category of mail, special-rate fourth-class mail, on the condition that these mailers do the same thing, or much like the same thing that we are now and have been requiring that the second-class mailers do in order to enjoy their subsidy. Far from our surprising anyone by in effect increasing the amount of rate increase, Congress itself laid out the requirement of compliance with the Postmaster General's regulation as a condition to the fourth-class mailers of enjoying this benefit.

Mr. JOHNSON. Thank you.

One more observation. I would say that when we passed this rate bill I personally didn't realize that, in addition to raising these book rates \$11 million, which we did, we are also giving up the power to raise them another \$4 million. As I say, that kind of goes against my grain. Maybe you are right in doing that, but this point does not seem cricket to me. Maybe it is.

Mr. NICHOLSON. Mr. Johnson, it perhaps does shift costs to the mailers, but it is not a rate increase. It is a transfer of costs, whereas our savings are in excess of \$4 million—

Mr. OLSEN. That is a pretty cagey way of saying that.

Mr. NICHOLSON. It may be a technical quibble but it is not in the form of a rate.

Mr. OLSEN. It sure is. Not maybe, but it is.

Mr. NICHOLSON. The mailer does not have the cost of a higher rate but an added manual cost in his own operation. He can control that to some extent. The fact that the Department will save \$4 million does not mean that the costs to the mailers will be \$4 million. We confidently expect that the mailers will do the work now done by our detached postal units at less cost than we do it, for two reasons. We think, on the one hand, that the rates paid to the workers would be less in the industry framework than they are in the postal framework. In addition, we think by making some relatively modest changes in their operations the mailers will reduce the need for the manual work, whereas, so long as our postal employees are there, there is no incentive for the business itself to change its procedures so as to give economies to that postal unit. Although we will save \$4 million, it is not a transfer of that total of \$4 million to the mailers. Some lesser amount would have to be spent by them.

Mr. JOHNSON. Thank you very much.

Mr. OLSEN. Thank you, Mr. Johnson.

Mr. Daniels?

Mr. DANIELS. Gentlemen, on June 29, 1968, the Federal Register contained a notice from the Post Office Department, a proposed rule to implement Public Law 90-206. It states that interested persons who may wish to submit data and arguments concerning the proposal may do so.

What was the response of the industry with regard to this notice?

Mr. McMILLAN. We had most segments of the industry represented. We had disagreements, of course. We had, I believe, 21 letters from Members of Congress, all opposing the new regulations. We had letters from 49 individuals—that is, representatives of various segments of the industry—all opposing the new regulations.

Mr. DANIELS. May we have the names of those who responded for the record?

Mr. McMILLAN. We will have to do that for the record.

Mr. DANIELS. Were any publishers involved?

Mr. McMILLAN. I just cannot say, Mr. Daniels. I will have to get that for the record. I have no recollection of just who made the response to that.

(The following was furnished for the record :)

CONGRESSIONAL LETTERS OPPOSING CONDITIONS FOR MAILING 1,000 OR MORE PIECES
IN SINGLE MAILING AT SPECIAL FOURTH-CLASS RATE OR AT LIBRARY RATE

CONGRESSIONAL LETTERS AND CONSTITUENTS

1. Congressman Arnold Olsen : none.
2. Congressman Donald J. Irwin : Burton Stuttman, 2 Cardinal Lane, Westport, Connecticut 06880.
3. Congressman John W. Wydler : J. W. Cassidy, Book Clubs Administrator, Doubleday & Company, Inc., 501 Franklin Avenue, Garden City, New York 11530.
4. Mrs. Charlotte T. Reid : Harold T. Miller, Manager, Midwestern Division, Houghton Mifflin Company, 1900 South Batavia Avenue, Geneva, Illinois 60134.
5. Senator Clifford P. Case :
W. Bradford Wiley, President, John Wiley & Sons Inc., 605 Third Avenue,
New York, New York 10016.

G. H. Gander, Executive Vice President, D. Van Nostrand Company, Inc., 120 Alexander Street, Princeton, New Jersey 08540.

Ryan A. Cuneo, Director of Postal Affairs, Prentice-Hall, Inc., Englewood Cliffs, New Jersey 07632.

William Sloane, Rutgers University Press, New Brunswick, New Jersey 08903.

6. Congressman Donald Rumsfeld :

Joseph C. Vossels, Traffic Manager, Field Enterprise Educational Corporation, Merchandise Mart Plaza, Chicago, Illinois 60654.

Robert C. Matthews, Senior Vice President, Sales and Marketing, Brock and Rankin, Inc., 4501 West 16th St., Chicago, Illinois 60623.

7. Senator Everett M. Dirksen : Donald L. Steinbeigle, Vice President, Marketing, Aldine Publishing Company, 320 West Adams Street, Chicago, Illinois 60606.

8. Congressman Frank Thompson :

G. H. Gander, Executive Vice President, D. Van Nostrand Company, Inc., 120 Alexander Street, Princeton, New Jersey 08540.

William Sloane, Rutgers University Press, New Brunswick, New Jersey 08903.

9. Congressman George H. Fallon : William Momberger, Engineering Department, Waverly Press, Inc., Mount Royal and Guilford Avenues, Baltimore, Maryland 21202.

10. Congressman William L. St. Onge : Arthur J. Egelhofer, Assistant Vice President-Operations, Bureau of Business Practice, 24 Rope Ferry Road, Waterford, Connecticut 06385.

11. Senator Jack Miller : Jack Barlass, Consumer Book Division, Meredith Press, 250 Park Avenue, New York, New York 10017.

12. Senator William Proxmire : Robert C. Matthews, Senior Vice President, Sales and Marketing, W. A. Krueger Co., 12821 West Blue Mound Road, Brookfield, Wisconsin 53005.

13. Senator Thomas J. Dodd : Arthur J. Egelhofer, Assistant Vice President, Operations, Bureau of Business Practice, 24 Rope Ferry Road, Waterford, Connecticut 06385.

14. Congressman Robert N. C. Nix : Coleman W. Hoyt, Distribution Manager, Reader's Digest, Pleasantville, New York 10570.

15. Senator Joseph S. Clark : C. W. Peterson, Executive Vice President, J. B. Lippincott Company, East Washington Square, Philadelphia, Pennsylvania 19105.

16. Congressman John T. Myers : Bernard Perry, Director, Indiana University Press, Tenth and Morton Streets, Bloomington, Indiana 47401.

17. Senator Joseph D. Tydings : William Momberger, Engineering Department, Waverly Press, Inc., Mount Royal and Guilford Avenues, Baltimore, Maryland 21202.

18. Congressman James H. Quillen : C. R. Steadman, Vice President-Traffic, Kingsport Press, Inc., Kingsport, Tennessee 37662.

19. Congressman John Brademas : David A. Tucker, Plant Manager, Scott Foresman and Company, State 2 and County Road 500W, Box 100, La Porte, Indiana 46350.

20. Senator Jennings Randolph : Kent Rhodes, Vice President of Reader's Digest.

21. Senator Edward W. Brooke : W. M. Adamson, Director of Distribution, Houghton Mifflin Company, Wayside Road, Burlington, Massachusetts.

INDIVIDUAL LETTERS OPPOSING CONDITIONS FOR MAILING 1,000 OR MORE PIECES IN SINGLE MAILING AT SPECIAL FOURTH-CLASS RATE OR AT LIBRARY RATE

1. John W. Gorsuch, Vice-President, Wm. C. Brown Co., Publishers, 135 South Locust Street, Dubuque, Iowa 52001.

2. Mr. William M. Passano, Jr., Executive Vice President, Waverly Press, Inc., Mount Royal and Guilford Avenues, Baltimore, Maryland 21202.

3. Mr. John J. McKenna, Director of Customer Services and Distribution, Harcourt, Brace & World, Inc., 577 Third Avenue, New York, New York 10017.

4. Mr. L. R. McLennan, Vice President, Manager of Sales, Steck-Vaughn Company, Post Office Box 2028, Austin, Texas 78767.

5. Mr. D. B. Kashdan, The Longines Symphonette Society, Symphonette Square, Larchmont, New York 10538.

6. Mr. Oscar E. Palmquist, President, National Council on Business Mail, Inc., 100 West Monroe Street, Chicago, Illinois 60603.

7. Mr. Elliott Gerlach, General Manager, Vikeship Co., Book Distribution Center, 299 Murray Hill Parkway, East Rutherford, New Jersey 07073.
8. Mr. Henry Brief, Executive Director, Record Industry Association of America, Incorporated, One East 57th Street, New York, New York 10022.
9. Mr. Robert B. Clarke, President, Grolier Enterprises Inc., 845 Third Avenue, New York, New York 10022.
10. Mr. Frank G. Rhody, Executive Secretary, The Board of Publication, Lutheran Church in America, 2900 Queen Lane, Philadelphia, Pennsylvania 19129.
11. Mr. John A. Pendery, Executive Vice President, South-Western Publishing Co., Inc., 5101 Madison Road, Cincinnati, Ohio 45227.
12. Mr. Conrad Squires, Promotion Manager, Harvard University Press, 79 Garden Street, Cambridge, Massachusetts 02138.
13. Mr. William Kennedy, Traffic Manager, The Dartnell Corporation, 4660 Ravenswood Avenue, Chicago, Illinois 60640.
14. Mr. Leonard Feist, Chairman, Music Publishers' Committee on Federal Relations, 460 Park Avenue, New York, New York 10022.
15. Mr. Eugene Watson, Executive Vice President, Circulation and Book Operations, Popular Science Publishing Co., Inc., 335 Lexington Avenue, New York, New York 10017.
16. Mr. Malcolm Wright, Director of Technical Services, The Haddon Craftsmen, Inc., Ash Street and Wyoming Avenue, Scranton, Pennsylvania 18509.
17. Mr. Richard Landsman, Vice President—Sales, The Greystone Corporation, 100 Sixth Avenue, New York, New York 10013.
18. Mr. Donald E. Layman, President, Scholastic Magazines, Inc., 50 West 44th Street, New York, New York 10036.
19. Mr. Kenneth M. Grubb, President, Allyn and Bacon, Inc., 470 Atlantic Avenue, Boston, Massachusetts 02210.
20. Mr. Warren Lynch, Executive Vice President, Book-of-the-Month Club, Inc., 345 Hudson Street, New York, New York 10014.
21. Mr. Seymour L. Gartenberg, Executive Vice President, CBS Direct Marketing Services, 51 West 52 Street, New York, New York 10019.
22. Mr. Thomas L. McFarland, Assistant Director, The Johns Hopkins Press, Baltimore, Maryland 21218.
23. Mr. Harry E. Jenkins, Division Vice President, Record Operations, 155 East 24th Street, New York, New York 10010.
24. Mr. Walter V. Davidson, Jr., Vice President, American Book-Stratford Press, Inc., 75 Varick Street, New York, New York 10013.
25. Mr. Steuart L. Pittman, Shaw, Pittman, Potts, Trowbridge & Madden, Barr Building, 910 17th Street, N.W., Washington, D.C. 20006.
26. Mr. Robert M. Peck, Executive Director, Book Manufacturers' Institute, 161 East 42nd Street, New York, New York 10017.
27. Mr. Richard H. Lane, Vice President & Secretary, Commerce Clearing House, Inc., 4025 W. Peterson Avenue, Chicago, Illinois 60646.
28. Mr. S. M. Briscoe, Foote & Davies, P.O. Box 1000, Doraville, Georgia 30040.
29. Mr. H. A. Schumaker, Assistant to the President, The Lawyers Co-operative Publishing Company, Rochester, New York 14603.
30. Mr. George W. Brauckman, Advertising Director, W. B. Saunders Company, West Washington Square, Philadelphia, Pennsylvania 19105.
31. Mr. Thomas A. Chacharon, Vice President, General Manager, Children's Press, Inc., 1224 West Van Buren Street, Chicago, Illinois 60607.
32. Mr. W. A. Hacker, Manager, Mail Order-Fulfillment, New Horizons Publishers, Inc., 154 East Erie Street, Chicago, Illinois 60611.
33. Mr. Theodore M. Black, President, Walter J. Black, Inc., Flower Hill, Roslyn, New York 11576.
34. Mr. John Jay Daly, Vice President, Direct Mail Advertising Association, Inc., 921 National Press Building, Washington, D.C. 20004.
35. Mr. Lloyd H. Knox, Publisher, Free Methodist Publishing House, Winona Lake, Indiana 46590.
36. Mr. Bernard Perry, Director, Indiana University Press, Tenth and Morton Streets, Bloomington, Indiana 47401.
37. Mr. Edward E. Booher, President, McGraw-Hill Book Company, 330 West 42nd Street, New York, New York 10036.
38. Mr. Roger L. LaRue, Manager, Corporate Office Service, Xerox Corporation, Xerox Square, Rochester, New York 14603.
39. Mr. Ronald F. Bleezarde, Hamilton Printing Co., Inc., P.O. Box 232, Rensselaer, New York 12144.

40. Mr. Edward A. Sand, President, Parent's Magazine Enterprises, Inc., 52 Vanderbilt Avenue, New York, New York 10017.

41. Mr. Garrison H. Payne, President-Treasurer, Brigar, Inc., 107 Champlain Street, Albany, New York, 12204.

42. Mr. John C. Jackson, Director, Traffic and Distribution, Encyclopedia Britannica, 425 North Michigan Avenue, Chicago, Illinois 60611.

43. Mr. Rhett Austell, Publisher, Time-Life Books, Time & Life Building, Rockefeller Center, New York, New York 10020.

44. Mr. Jarrell McCracken, President, Word Incorporated, 4800 West Waco Drive, Waco, Texas 76703.

45. Mr. Robert W. Frase, Director, American Book Publishers Council, Inc., American Educational Publishers Institute, 1820 Jefferson Place, N.W., Washington, D.C. 20036.

46. Mr. T. P. Casserly, Business Manager, Teachers College Columbia University, New York, New York 10027.

47. Mr. James J. Fehi, Vice President, Personnel Department, Book-of-the-Month Club, Inc., 51 E. Simpson Street, Mechanicsburg, Pennsylvania 17055.

48. Mr. James F. Dinneen, Special Counsel, Raytheon Company, Lexington, Massachusetts.

49. Mr. Donald C. Fowle, Director of Operations and Distribution, Capitol Director Marketing Corp., Hollywood and Vine, Hollywood, California 90028.

Mr. DANIELS. I have a constituent here today, Mr. McMillan, who is interested in a publishing company that disseminates these books on behalf of mail users. The complaint, as I understand it, with regard to their opposition to this legislation, is that you failed to give them reasonable notice of this proposed change which will take place in two phases, one October 1 of this year, and the second phase becoming effective January of next year. They said to go out and hire the necessary help to sack and ZIP code to three digits within a short period of time is to put an unreasonable burden on them. They are fearful they may not be able to get the necessary competent help to do so.

Do you have any observation to make in regard to that comment?

Mr. McMILLAN. Mr. Congressman, I do not know of whom you are speaking. I do know that this matter was discussed with our Mailer's Technical Advisory Committee several months before we proposed this rulemaking. We even had a subcommittee of that committee appointed to work with us. I cannot say that they all agreed with us. In fact, some of them vigorously opposed this.

Mr. DANIELS. Specifically, for your information, I refer to the American Book-Stratford Press.

Mr. McMILLAN. I do not know, but I would assume they belong to some organization that is represented on the Technical Subcommittee. It may or may not be a correct assumption. But we did work with the committee and with affected industry representatives. Incidentally, I think it is very important to keep in mind that the first proposal in the latter part of June 1968 has been radically liberalized.

In talking to the members of the Mailer's Technical Subcommittee and to representatives of the industry itself, and I have talked to several of them personally, their greatest problem seemed to be the merging of identical and nonidentical pieces. This is the one that they figured would cause them the most hardship and the greatest problems.

There was very little violent opposition to the first step. Of course, all of them would have liked to have this made a year later or 6 months later or at some other time. But after we received these protestations

from the Congress and from the industry, we considered this matter very carefully and decided to make the second step much more liberal. There is no merging required between nonidenticals and identicals. To my mind, this is the most difficult problem, and we have eliminated that.

We also eliminated the sorting of nonidenticals to three digits. We ask them to sort now only to States. I think that even the members of the industry will tell you this is a very liberalized version of the original proposed rulemaking.

Mr. DANIELS. Do you think that with the notice being publicized on June 29 this year and the rate going into effect October 1, that 3-month period of time in which you request compliance is a sufficient, reasonable period of time for them to employ the necessary independent help?

I think you testified the employees of the Post Office Department who are detached and working in the various plants with the publishers and mailers are not going to be discharged. The Department is going to retain them. You believe if you have sufficient vacancies in the Department, it would not be necessary to discharge them from their employment? Do you think the market today, the labor market, will have the necessary skilled help available to put to work in time to comply with this regulation effective October 1?

Mr. McMILLAN. I do. I do not think they will have a big problem because the October 1 regulation applies only to the identical pieces. And most of these come off an assembly line, the labels are printed on a machine, and they come over an assembly line.

It really does not take a whole lot of skill to pick up the three-digit code, 002 we will say, cut it off and put in the sack 002. In other words, this is more of a labor-type function than it is a scheme-type function. I do not foresee any great difficulty at all.

Then, of course, the second phase will be a manual operation, but they have known about this since the latter part of June, the publication in the Register, and before that by discussions with them. They knew we were coming up with something. They have until January 15, 1969, to get ready for the second phase. This is the one in my conversations with the people and with Members of Congress that creates the most problems for them. So here they have had 6 months.

Mr. DANIELS. I have another question with reference to the meaning of the regulation.

"It shall apply to all shipments of 1,000 identical pieces per day."

By the words "per day," do you mean a single shift, second shift, or third shift, or does it not encompass the shifts within a 24-hour period of time?

Mr. McMILLAN. As far as I know, it is my understanding most of these are placed in the mail during the daylight hours which would be true in the Post Office. They work daylight time primarily. If they do work on a 24-hour basis, we will take the Post Office day which is midnight to midnight.

Mr. DANIELS. What do you mean by the word "identical"? Is that described in the regulations?

Mr. McMILLAN. No, it is not. The word "identical" is not spelled out specifically in the proposed rulemaking, but our thinking at this time, Mr. Congressman, is it would be the same title. In other words, "Tom Sawyer," if you had a thousand copies of "Tom Sawyer," those would be identical. If you ran off another 500 copies of "Huckleberry Finn," the same day, those would not be identical.

Mr. DANIELS. What if it were the same size and weight?

Mr. McMILLAN. It would be identical by title.

Mr. DANIELS. If there is a variation in size or weight, you would not consider that identical?

Mr. McMILLAN. Of course we assume if a book has the same title it would have the same size and weight.

Mr. DANIELS. In our study of the postal rates last year, the committee, as you know, spent considerable time in revising the rates for first-, second-, third-, and fourth-class mail. We increased the rates with the view in mind that we would overcome the deficit of \$1.2 billion. Now, by virtue of the increase in pay that was granted under last year's legislation, and the additional cost of transporting the mail, do you envision any substantial deficit this year in the handling of the various classes of mail?

Mr. McMILLAN. I think Mr. Nicholson could give you that better than I, Mr. Daniels.

Mr. NICHOLSON. Yes; there is a substantial deficit, Mr. Daniels. In 1969—I do not have those papers with me, but the total deficit is in excess of three-quarters of a billion dollars, as I recall. I will provide the figure for the record if you wish.

Mr. DANIELS. I have the cost ascertainment report of 1967 before me and refer to page 12, exhibit 1, "Adjustment of revenues includes costs."

They anticipate a deficit of \$211,066,000. Do you think that is a correct figure?

Mr. NICHOLSON. That is the deficit if the 1967 volume of mail paid postage at the new rate and the employees were paid at the new rate of pay; yes, sir. But inasmuch as the volume of mail will have increased in both 1968 and 1969, the likelihood is that the gap between revenue and cost will be somewhat greater than the 211 shown on the exhibit that you referred to.

Mr. DANIELS. I do not want to impose any greater responsibility upon the chairman of the subcommittee, but I was wondering what your view is with respect to this committee again making a study of the postal ratemaking system. Would you recommend it?

Mr. NICHOLSON. I do recommend it, Mr. Daniels. Timing may be something that you would want to consider. The Department has underway some studies that I think will be very useful and will add to the ability to understand the dynamics of the problem. Those studies are not available yet, but I would suppose, and I believe the chairman of this committee has much the same feeling, that a review by this subcommittee of postal ratemaking would be in the interests of the Congress, the mailers, the Department, and the public.

Mr. DANIELS. I recall during last year's hearings a great deal of testimony was taken with reference to the means employed to ascer-

tain the cost, and a great deal of criticism was leveled at the Department as to how they arrive at their cost ascertainment.

I believe the chairman stated you did propose to go into that next year. I think using that line, the Department ought to get itself ready to testify on that subject.

Mr. MAY. I believe the figure you were reading from the cost ascertainment is exclusive of public service costs.

Mr. DANIELS. Yes.

Mr. MAY. So if you add the public service costs in there, you are up around \$800 million, in the neighborhood of the figure Mr. Nicholson was using as the projected deficit.

Mr. DANIELS. Do I understand correctly, Mr. Nicholson, that you have a study underway with reference to cost ascertainment?

Mr. NICHOLSON. Yes; we do, Mr. Daniels. We have let a contract with the very eminent and well-qualified firm of Touche, Ross, Bailey & Smart to design the data collection of a cost system that will enable us to determine the long-range incremental costs associated with the various classes of mail by using existing information to the extent possible and defining areas in which we need to capture and record new information. This is a technical study of designing a cost system that will lend itself to computer mechanization and avail itself of existing cost systems, the accounting system, for example, and other systems.

The purpose of the product of this study would be to add to the information presently available in cost ascertainment. It is not a replacement of cost ascertainment, but an addition to the information in that report.

We believe that the results of the consultant's work will be available early in calendar year 1969. It is our hope and expectation that we will have thorough and professional discussions with all interested parties, the Congress if it wishes, with mailers if they wish, to evaluate and improve if possible on the technical design that the contractor will provide us with.

When we do finish that period of evaluation and agree on a system, we will begin the implementation and should have reports out of the new system in about 12 or 13 months after the agreement is reached.

Mr. DANIELS. I have no more questions, Mr. Chairman.

Mr. OLSEN. Thank you, Mr. Daniels.

What is the cost of that contract?

Mr. NICHOLSON. It is \$75,300.

Mr. OLSEN. Thank you, gentlemen, very much. We appreciate your appearance.

The next witness is Jack Cassidy, chairman of the Technical Subcommittee of the Joint Postal Committee of American Book Publishers Council and the American Educational Publishers Institute. I understand you are being accompanied by Mr. Robert Frase, director of the Washington office.

Mr. CASSIDY. Yes, Mr. Frase to my left, and also Mr. Steuart Pittman at my right.

Mr. OLSEN. You may proceed.

STATEMENT OF JOHN W. CASSIDY, CHAIRMAN, TECHNICAL SUBCOMMITTEE OF THE JOINT POSTAL COMMITTEE OF THE AMERICAN BOOK PUBLISHERS COUNCIL AND THE AMERICAN EDUCATIONAL PUBLISHERS INSTITUTE, ACCOMPANIED BY ROBERT W. FRASE, DIRECTOR, JOINT WASHINGTON OFFICE OF THE COUNCIL AND INSTITUTE, AND STEUART PITTMAN, SPECIAL COUNSEL FOR THE JOINT TECHNICAL SUBCOMMITTEE

Mr. CASSIDY. Thank you, Mr. Chairman, for allowing me to come before this committee to comment on this bill.

I have a prepared statement which I will read from. Before I get into the formal part of the statement, there are several things I would like to have your permission to answer as far as the previous testimony.

The first thing is if we are talking about \$4 million, I cannot speak for the industry finally, but I would think we would say raise our rates by \$4 million and let's all go home, because our estimate is far beyond \$4 million, and if the Post Office is only saving \$4 million, there is something wrong with somebody's figures. That is one thing.

The other thing I want to comment on, it was testified that the first announcement of this regulation came out on June 29. That is not correct.

The first announcement came out in late December and it took almost verbatim the wording from the Postal Manual dealing with third-class mailing and applied it to book mailings.

Mr. DANIELS. May I interrupt?

I think I stated in questioning the previous witnesses that on Saturday, June 29, the Post Office Department advertised the proposed rulemaking notice in the Federal Register.

Mr. CASSIDY. That is true. But before the Federal Register announcement, there was an actual regulation published in the Postal Bulletin which said the rules for sorting third-class mail would apply to fourth-class educational materials. This quickly was rescinded because the Department realized the regulation was not at all designed to deal with books that could not be tied together in sacks. So the Department withdrew that quickly, and we had the long hiatus between that time and June 29 when the first new version of the regulation was published.

So that was the second point I wanted to make.

The third point I wanted to make was one which I think is very important. I am not sure which gentleman said it. I think it was Mr. Nicholson, who said that industry under the detached mail units have no incentive to improve the operation because the Post Office is on the receiving end of it.

I have here a document put out and sent to me by the Transportation Division of the Post Office Department, headed by Mr. John F. Jones, Director.

I also have been working with a very capable gentleman by the name of Weir and another gentleman by the name of Wolfe. This document breaks down not into three digit ZIP but into five digit ZIP, a program for the dispatch pattern of all the books going out of our Hanover plant. This thing we have been working on, at least as far

as the implementation of such a program, we have had two programmers working full time for over 5 months in trying to develop a sophisticated program for our computer which will make five-digit separation of all of our book labels, will simultaneously produce the bag tags necessary for the number of bags involved, breaking it all the way down from five digits to a residue three digit, another residue to State.

This was done not in anticipation of this regulation at all. This was being done voluntarily and was being worked on to be put into our computer installation. This regulation—incidentally, to do this it not only is the cost of the program, but when you break down a complicated problem such as this is into five-digit ZIP, it uses a tremendous amount of memory in the computer and memory in a computer costs a lot of money.

Under the regulations I do not have to break this down to five digits at all. I question whether we will break it to five digits because it is much easier and much less expensive in the computer to stick to three digits, and also easier at the bagging end, because you are dealing with bigger lots going to central points where it has to be redistributed. The Post Office I think has not really thought this all the way through as far as the impact on their own operation because every single book that is put into a bag, whether it be State or by three-digit ZIP, has to, at some point, be opened and dumped and rehandled and sorted to office of destination. This is every single bag that comes in under that kind of sorting. This kind of sorting which is applicable to big mailing means that most of these bags will be directed to the office from which they are going to be distributed to the consumer, the bags are put on trucks and are never touched again until they get to the office of destination. I think this is good evidence the industry has been and will continue to cooperate in their own interest in doing things for the Post Office insofar as these mailings. I think the Post Office would be working backward on the basis of this three-digit concept.

That is all I have to say on those, if I may go ahead with my statement.

Mr. OLSEN. Proceed, Mr. Cassidy.

Mr. CASSIDY. My name is John W. Cassidy and I am vice president of Nelson Doubleday, Inc., a wholly owned subsidiary of Doubleday & Co., Inc., publishers in New York City. I am appearing here as chairman of the Technical Subcommittee of the Joint Postal Committee of the American Book Publishers Council and the American Educational Publishers Institute. Incidentally, I am also Chairman of the Postmaster General's Technical Advisory Subcommittee appointed to deal with this subject. I have with me Mr. Robert W. Frase, director of the joint Washington office of the council and institute, and Mr. Steuart Pittman, special counsel for this joint technical subcommittee.

The council and the institute are the two major professional associations of book publishers, the members of which produce more than 90 percent of books of all kinds published in the United States. The 192 members of the American Book Publishers Council publish many types of books such as adult general—or trade—books, juvenile books, scientific, medical and professional books, religious books, university press books, book club books, and paperback books of all descriptions. The

125 members of the American Educational Publishers Institute are publishers of elementary, secondary, and college textbooks, subscription reference books such as encyclopedias and educational tests. Many of the major publishers are, of course, members of both associations.

The joint postal committee of the two publishing industry trade associations now has the results from a questionnaire to association members seeking information about the problems of compliance with the August 9 regulation. Of the 63 companies directly affected by the regulation, the majority report that they could not comply with the effective dates, and that certain features of the regulation impose extraordinary burdens. Some companies report that they would be unable to comply in full at any time. More specifically, the questionnaires indicate the following:

1. Seventy-three plants located in 17 States and owned by 63 companies would be affected, of which under 10 percent are mailers of book club material.

2. Only 29 plants (about one-third) have in-plant postal substations (or detached postal units) which in the aggregate account for 400 postal employees. The remaining two-thirds would be required to develop new facilities, as well as train new personnel, to carry on functions previously performed at local or regional post offices.

3. Fifty-one plants are affected by the regulation of volume mailings of identical pieces, effective October 1, of which 35 plants cannot meet this deadline.

4. Seventy plants would be affected by the regulation of volume mailings of nonidentical pieces, effective January 15, of which 44 plants cannot meet this deadline.

5. Forty-five plants would be affected by both effective dates.

6. Some 20 plants, shipping for a number of different publishers, could never comply with the regulation as now drafted.

7. Estimates of costs of compliance average more than the 20-percent rate increase established in the last rate bill and go as high as 3 to 4 times the cost of that rate increase.

We are here to ask your committee to require the Post Office Department to give time for its staff to investigate further the impact of its regulations in areas which apparently have not been adequately considered. It is our position that we had solid reason to expect a regulation which we could live with, based on the statements and conduct of the Department since enactment of section 4554(e) on December 16, 1967, which gave the Postmaster General the authority to regulate volume special fourth-class mailings. There is strong evidence that the Department originally intended this imposition on mailers to be relatively moderate, limited as follows:

1. To large volume mailings of identical pieces. That was proven in the point I mentioned before that immediately they applied the third-class rate because that only applies to bulk mailings of third-class material.

2. Primarily to book and record club mailings.

3. Primarily to make mandatory certain practices voluntarily engaged in by some of the larger mailers of identical pieces.

These three limitations are reflected in Mr. Nicholson's testimony to the House Postal Rate Subcommittee at pages 62 and 66 of the printed 1967 hearings on H.R. 7977 as follows:

(At p. 66)

In the case of the other citation where we do specify 1,000, that is in connection with special material in fourth-class mail where the nature of that material is somewhat better known to us. It is books or records. And much of it is used in connection with book clubs or record clubs.

These materials tend to be uniform, mailing after mailing, and there are quantities of identical pieces.

So that we felt on a little more sound ground when we identified 1,000 pieces as being a correct number from an operating point of view, and we felt that 1,000 pieces would not inconvenience unduly the mailers, because we knew the kinds of mailings they were giving to us.

Mr. DULSKI. Well, that is true as far as the explanation is concerned. It is up to the Post Office to make that decision. It is not written into the law.

If a mailer were questioning the judgment of the Postmaster General, what would happen?

Mr. NICHOLSON. I think they would receive either the same or more favorable treatment than the other. It might be that it would not be necessary to prepare fewer than a thousand copies. The number set by the Postmaster General might be a greater number.

It is true that the way the legislation is presented to you we are seeking authority for the Postmaster General to declare what that number shall be.

(At p. 62)

Mr. NIX. Now, No. 3, the last part of it. You require these people who benefit from preferential fourth-class rates to prepare their mail prior to deposit in the post office. I thought they had been doing that.

Mr. NICHOLSON. They have on a voluntary basis in many cases, Mr. Nix. Mailings of books and records can be very difficult to handle, and when the mailer himself processes them by timing his shipments so that all the shipments to a given city or all the shipments to a given State or, better still, to a given sectional center, are dispatched at the same time, there is a very large postal advantage. And we are getting that postal advantage on a voluntary basis from many shippers of books and records.

What No. 3 here on page 1 does is make it possible for the Postmaster General to require this kind of preparation, whereas at present it is being enjoyed on a voluntary basis.

My interpretation of that would be that the regulation would be extended to the large mailers who were not making the sortation some of us were making and require them to do it.

When the Post Office Department exploded its intentions on the industry at the end of June, it gave two justifications for the shift in attitude, both of which preempted congressional prerogatives:

First, it was said by Mr. McMillian at the meeting with publishing and record industry representatives on June 27 that the differential between costs and revenue of special fourth-class mailings justified the proposed regulation.

Second, at the same meeting, it was explained by Mr. Nicholson that the recent tax increase legislation required the Department to cut personnel wherever possible. The first justification flies in the face of the fact that the special fourth-class educational rate expresses a long-standing congressional policy which cannot be abrogated by indirect ratemaking through regulations of the Department which impose special costs discriminating against some mailers enjoying this preferred

rate. The personnel cuts never materialized because Congress decided to exempt the Post Office Department, thereby removing this second justification.

It might be useful to pause here to lay out some of the complexities perpetrated by this regulation which seem to have escaped the attention of the Department. As mailers of books begin to examine the task of implementing the August 9 regulation, its full and diverse impact becomes more evident. Far from being confined to book and record clubs, most of the affected publishers mail a large volume of nonidentical book packages in a day. Some of them have operated production lines flowing into detached postal units, but more have shipped by truck or other vehicle to the local post office. Many publishers look to book manufacturers (printers and binders) for the mailing of their book packages under labels furnished by the publishers. These book manufacturers frequently mail for more than one publisher and cannot control the sorting and addressing process. Some of the affected mailers have highly developed computerized mailing systems which can be adjusted to what appears to be a slight change in procedures only with the greatest of difficulties. Other publishers are relying on manual operations. Some plants have union contracts which do not include the job classification of "postal clerk"; the publishers could not begin to pay the salaries of postal clerks without complete upset of established rates for other job classifications. I could go on, but this gives some impression of the kind of practical problems resulting from the proposed regulation.

The questionnaire disclosed mailer estimates that the cost of compliance with the regulation ranges from 3 cents to 10 cents per book. We contend that this is an unfair penalty, particularly since postage on educational materials was raised by 20 percent under the last postal rate bill. This extra cost for sorting and bagging is in effect indirect ratemaking, and will mean that the postage increase will be 50 percent or 60 percent instead of the 20 percent authorized by Congress. The regulation setting the quantity of 1,000 pieces of mail per day as the crossover line for publishers required to sort and bag and those not required to sort and bag is discriminatory and places the publishers who make mailings in quantities of just over 1,000 pieces in an unfair competitive position as against the publishers mailing under 1,000.

During our meetings with the Department discussing various aspects of the proposed regulation, an alternative suggestion was made regarding the sorting of large volume identical pieces to final destination; that is, sorting to full five-digit ZIP numbers instead of to the three-digits sectional center concept.

In our opinion, this would be far more beneficial to the Department since there would be no rehandling of the packages once they were in the bags consigned to the office of delivery. The bags sorted only to sectional centers will, in every case, have to be opened and dumped and resorted to final destination.

This suggestion was rejected by the Department without explanation.

The original version of the regulation was published in the June 29 Federal Register. Again I go back to the version published in the Federal Register of June 29, but before that, without any entry in the

Federal Register, there was a regulation published. In response to this June 29 publication, at least 30 letters were sent in protest of the requirements and the final version was published on August 9.

The final regulation was substantially the same as the June 29 version, but did modify the sorting of nonidentical pieces to sorting by States instead of by sectional centers. This allowed less than 2 months for mailers to conform to the requirements of phase I and 4½ months for mailers to conform to phase II. The last major comparable regulation issued by the Department required second- and third-class mail to bear the full five-digit ZIP number and to be sorted accordingly. As a member of the Postmaster General's Technical Advisory Committee, I sat through many meetings over 2 years on this subject, and the lead-time given to industry to conform to this regulation was well over 2 years. Two months to conform to phase I and 4½ months to conform to phase II is far too short a time for a changeover of this magnitude, and this fact is brought out in the answers to the questionnaires returned to us by book mailers.

In conclusion, we believe a better regulation for both the Department and mailers can be developed if a more scientific approach is made, particularly with regard to the identical pieces. We are asking large mailers to create computer programs for simulated mailings which will reveal the exact distribution pattern of educational materials. The purpose of this would be to find the minimal level of mailings which will surely be above 1,000 but which will result in the maximum number of full bags consigned to offices of destination. We think that this will serve the Post Office more efficiently and will result in faster delivery of our products. We wrote to the Postmaster General on August 27 to this effect. I quote from this letter to which we have had no response to date :

We are also making a sample study based on computer tabulations from mailing lists in several firms, which will show what the patterns of distribution would be for various sizes of mailings of identical pieces, starting with 1000 copies. We shall be glad to make the results of these studies available to the Department and indeed would be glad to work with the Department on a joint study of this kind, carried to a five digit sort of bags going to final destinations so as to arrive at specifications which would result in the greatest possible mutual advantage and efficiency.

We ask that additional time be given for these figures to be developed and to work with the technical people in the Post Office who are knowledgeable on this subject and to come up with a more satisfactory regulation both for the Department and ourselves.

Specifically, we seek legislative relief which would have the effect of postponing the effective date of this regulation until July 1, 1969, or after. It is conceivable that regulations of volume identical mailings could be implemented a few months ahead of that date, but this problem has not been adequately studied and a single effective date of July 1 is a conservative estimate of the time necessary to resolve this problem and adjust to the new system.

Thank you.

MR. OLSEN. Thank you very much, Mr. Cassidy.

Do you have anything further to add?

MR. CASSIDY. No, I think I covered what I had in mind.

MR. OLSEN. The gentleman from Pennsylvania.

Mr. JOHNSON. Thank you.

Mr. Cassidy, I was interested of course in your opening remarks where you said if \$4 million is all it is going to cost you might as well raise our rates right now and be done with them. Then I notice on page 7 of your testimony you say this extra cost for sorting and bagging is in effect indirect ratemaking and will mean that the postage increase will be 50 or 60 percent instead of the 20 percent authorized by Congress.

Can you elaborate on that statement and substantiate it for us?

Mr. CASSIDY. Making a judgment from the questionnaires we received and doing some calculations on our own as to the number of pieces flowing through some of these larger mail units, and relating that cost to the number of units that are going through these operations, we can come up with a pretty fair cost of what this is going to cost the mailer when they assume the job the Post Office is now doing. The requirement even as it is written now is asking the mailer to do far more than the Post Office themselves are doing in the sortation of this mail in their own units, but I am discounting this in the calculation. I am just saying we know in one plant there are 60 people doing this, we know how many units are going through a day, and all we need do is divide the units into the estimated daily pay of 60 people and we can tell you what it is costing the Post Office.

So we know what this cost is. The postage increase in the last bill raised the rates from 10 cents for the first pound and 5 cents for the second to 12 cents for the first pound and 6 cents for the second pound. We see a rate increase even on volume mailing, and this has been verified by many large mailers, that this sorting and bagging cost of at least 3 cents a book that is being foisted on to large mailers, and this is no different than a rate increase except a rate increase is more equitable. It affects everybody. It does not favor the company that has up to 999 pieces per day and therefore does not have to do the sorting.

The rate increase hits everybody evenly and equitably. That is why I say if we are talking about \$4 million, I think the industry would rather have that as a postage rate increase than they would this regulation as presently drawn.

Mr. JOHNSON. If you would say that the 20 percent increase equals \$11 million, if you use your high figure of 60 percent raise in rate, that would be \$33 million.

Mr. CASSIDY. That is right.

Mr. JOHNSON. Of course it could not be that much, could it?

Mr. CASSIDY. Mr. Frase reminds me that some people are not affected by this, so it would not be on everybody, this new regulation.

Mr. FRASE. The small people would have nothing, the large ones a rate increase from 40 to 60 percent.

Mr. JOHNSON. How much extra do you think this proposed regulation will cost the industry?

Mr. CASSIDY. Because of the wide range of estimates coming in on the questionnaires, and frankly some of the people I think did not get their decimal point in the right place, I do not think I would be qualified to give you a figure. I can figure on the big installations I just described, namely our own operation.

We can see what the problem is. We know the number of units, we know the number of postal employees, we can pretty well tell what the cost per book is so we can tell within a 10th of a cent what it is now costing the Post Office Department to do a sortation which is not as fine as the Post Office is asking us to do when they fully implement this regulation as of October 1 and January 15. They are asking us to do far more than they are doing themselves.

Mr. JOHNSON. I take it what you are suggesting here this morning is that we postpone this until July 1, 1969, and in the meantime you big mailers sit down with the Post Office Department and try and find a minimal level of mail input which would surely be above 1,000 which will result in maximum of full bags consigned to the office of destination.

Mr. CASSIDY. That is well said; yes, sir.

Mr. JOHNSON. That is your plan?

Mr. CASSIDY. There are others who have not been consulted in this too. The book manufacturers will testify this morning. They have not been consulted about this regulation at all. But this basically is what we are saying: that there is a regulation here that can be worked out on a much better basis for both the Post Office and the mailer. And time should be used to study it.

If you gentlemen would like to see the documentation that was sent to me by Mr. Jones to help us set up this complicated program in our computer, I would be glad to show it to you. It is a long report. It is a very complicated program to write for the programmers because this is not in strict numeric sequence.

The men in the transportation department have figured out top pattern of dispatch from our plant at Hanover and because it is not in a natural sequence, the coding of this program is very difficult. The memory time in the computer is very great because of these idiosyncracies in the program, and also, the program has to be flexible enough to take changes that the Post Office will make from time to time.

When a train route is changed the program will have to be changed. And we can do that. But as I say, under the regulation there is no incentive to do this. We might just as well go back to the three digits and take the easy way out of it.

Mr. JOHNSON. Thank you very much, Mr. Cassidy.

Mr. OLSEN. Thank you, Mr. Cassidy. Thank you, gentlemen.

Mr. DANIELS. May I ask one question?

Mr. OLSEN. Yes.

Mr. DANIELS. In your testimony on page 7 carrying over to page 8, you say you made an alternative suggestion to the Post Office Department of sorting to the full five-digit ZIP instead of three-digit sectional center concept. You thought that would be better because in the long run it would save extra work at these sectional centers in sorting the mail and then sending to their destination.

Of course, you have a computer in your particular plant. So you recommend the different digit sorting for the entire industry?

Mr. CASSIDY. No, Mr. Daniels. What I am saying is that this becomes practical, this sorting of mail to five digits in high volume, and we do not know what the volumes are. We can develop programs which will show how many direct bags we will get out of a thousand level,

5,000, 10,000, 20,000. We can pinpoint where it becomes practical to do this.

Mr. JOHNSON. But you are not recommending general sorting of five digits for everybody?

Mr. CASSIDY. No. All I was answering was the point made that there was no incentive on the part of the mailer to do anything to help the post office, when the exact reverse is true because we are looking to implementing this five-digit sort without any requirement to do so. But now that the regulation says three digits, this is an expensive thing for us to do to break to five digits not only in the computer, but also in the handling end.

Mr. JOHNSON. Thank you, sir.

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

Now, Mr. Frase, I understand you were going to request that a statement be made by Mr. Taymans.

Mr. FRASE. Mr. Taymans, who is president of the Printing Industries of America, is here and I think would like to say a word, without a statement, just to endorse I think what we have stated. He has a number of major plants in his association which are affected by the regulation.

STATEMENT OF BERNARD J. TAYMANS, PRESIDENT, PRINTING INDUSTRIES OF AMERICA, ACCOMPANIED BY SHANE MacCARTHY, DIRECTOR, GOVERNMENT AFFAIRS, PRINTING INDUSTRIES OF AMERICA

Mr. MacCARTHY. Mr. Chairman, I am Shane MacCarthy, director, Government affairs, of the Printing Industries of America.

Since many of the companies which are members of the Printing Industries of America are directly affected by this proposed regulation, I am privileged to present to you and the committee for a very brief statement the president of the Printing Industries of America, Mr. Bernard J. Taymans.

Mr. OLSEN. We are glad to have you here, Mr. MacCarthy, and you may proceed, Mr. Taymans.

Mr. TAYMANS. We appreciate the opportunity of being permitted to express the fact that Printing Industries of America, which has within its membership most of the companies where the sorting is done, endorses the statement of Mr. Cassidy, and we believe that if enough time were allowed for the companies to work with the Post Office Department that many of the problems that they will experience in this short-term implementation can be overcome.

We also believe from our conversations with representatives of these companies that a more workable basis of serving the Post Office Department interests and the industry interests can come out of joint discussions.

Mr. OLSEN. Thank you very much.

Mr. Henry Brief, executive director, the Record Industry Association of America, is our next witness.

STATEMENT OF HENRY BRIEF, EXECUTIVE DIRECTOR, THE
RECORD INDUSTRY ASSOCIATION OF AMERICA, INC.

Mr. BRIEF. Mr. Chairman, my name is Henry Brief, and I am executive director of the Record Industry Association of America, Inc., with headquarters in New York City. Our 43 member companies account for more than 85 percent of the sound recordings produced and sold in the United States today.

I am here today to urge support for H.R. 19415.

Our members believe it is urgent to extend the deadline for compliance with the new Post Office regulation, due to become effective January 15, which would require presorting and bagging of 1,000 or more pieces of nonidentical mail. We believe it is also urgent to extend the deadline, in hardship cases, for compliance with the October 1 deadline requiring presorting and bagging of 1,000 or more pieces of identical mail.

I will not take up your valuable time by dwelling on the points that Mr. Cassidy has already outlined.

There are, however, several additional points that should be considered.

First, it is our belief that the Post Office Department, in its new regulation, has gone well beyond the expectations of those who heard the Department's testimony last year when this authority was requested.

Originally, our members were led to believe—from testimony by Assistant Postmaster General Nicholson during last year's postal rate hearings—that the Department's new regulation would cover only identical pieces of mail. Instead, the new regulation also cover non-identical mail.

We were also led to believe, from Mr. Nicholson's testimony, that the new regulation would cover chiefly book and record club mailings. Instead, the regulation covers all types of mailers, including the many small firms that use the mails only to send out promotional and review copies of their new recordings.

We were also led to believe, from Mr. Nicholson's testimony, that the Department was thinking chiefly of making mandatory certain existing, voluntary practices by mailers. Instead, the regulation goes far beyond this.

Let me quote, just briefly, from Mr. Nicholson's testimony before this subcommittee last year, when authority for the new regulation was requested.

Discussing the proposed new authority, he said: “* * * [this] is in connection with special material in fourth-class mail where the nature of that material is somewhat better known to us. It is books or records. And much of it is used in connection with book clubs or record clubs.

“These materials tend to be uniform, mailing after mailing, and there are quantities of identical pieces.”

Mr. Nicholson also said: “Mailings of books and records can be very difficult to handle, and when the mailer himself processes them by

timing his shipments so that all shipments to a given city or all the shipments to a given State or, better still, to a given sectional center, are dispatched at the same time, there is a very large postal advantage. And we are getting that postal advantage on a voluntary basis from many shippers of books and records * * * [the proposed authority] makes it possible for the Postmaster General to require this kind of preparation, whereas at present it is being enjoyed on a voluntary basis."

The Department's original intention to confine the rules to identical pieces of mail was confirmed in the original Post Office ruling issued in December 1967, which was withdrawn in January 1968. This intention was also evident in early discussions between industry representatives and Post Office officials.

Then, on June 27, 1968, the Department disclosed a sharp change in its course, for the first time proposing presorting requirements for nonidentical pieces as well. This proposal, only slightly modified regarding the requirement on nonidentical pieces, was published as the regulation on August 9.

Apparently, we were not the only ones who did not expect such a far-reaching regulation. The unanimous request by this subcommittee, asking that the Post Office limit the new regulation to identical pieces of mail, seems to support our interpretation.

You are also aware, I am sure, that the chairman of the Senate Post Office and Civil Service Committee, Senator Monroney, has requested that the Post Office postpone the requirement involving nonidentical mail until July 1969, as Congressman Olsen's bill provides.

We believe the delay in implementing the second phase of the Department's regulation dealing with the presorting of nonidentical special fourth-class mail is important for two reasons:

First, it will allow more time for compliance. Second, it will allow both the Post Office Department and the mailers to evaluate the effects of the requirement governing nonidentical pieces, and to determine whether this step is really necessary, or whether there may be some other approach that would be satisfactory.

To give you an idea of the difference between presorting identical pieces and presorting nonidentical pieces, let us consider companies that operate record clubs. Subscribers are usually offered a "selection of the month." Expensive though it may be for a company that is computerized to reprogram the computer to produce labels for such a mailing in a ZIP code sequence, or even for companies that are not computerized to gear up to do so manually or mechanically, the presorting of such identical pieces mailed in volume quantities as possible.

However, club subscribers may also choose alternate selections and bonus records from the entire vast catalog of a record club. The record clubs have anywhere from dozens to thousands of bins, each containing a different record. Such varied and diverse orders necessitate a "pick-and-fill" operation in which an employee carrying the order form actually goes around to the specific bins to get the records that have been requested. I am sure you can appreciate how chaotic and expensive it will be for companies in our industry to have to bring together all of these nonidentical records that have been collected from all of the bins and presort them, even by a State mix.

One of our member companies, for example, has already estimated that its cost for a package containing one long-playing record and weighing under one pound would go up 4.7 cents, were this requirement actually to be put into effect. This is an increase of better than 39 percent in the mailing cost of a single phonograph record, coming hard on the heels of a 20-percent rise in postage rates enacted by the Congress late last year.

A second company has estimated that its special fourth-class mailing costs would be increased by 11 percent. A third of our member companies has costed this out to a rise of at least 3 cents per package—an increase of 25 percent in its mailing costs—if this regulation is effected.

The record business is an extremely competitive one, with records being one of the few commodities in this country on which prices are lower today than they were a decade ago. Competition has brought this about; profit margins have consistently declined in the last decade. In the current economic climate, record companies would be hard pressed to attempt to pass such increases along to the public. They could not, without gravely imperilling their operations, attempt to absorb such increases themselves. The effects of these cost increases would be particularly damaging to smaller companies and marginal companies in our industry. The intent of Congress to encourage the dissemination of books and sound recordings would be impaired.

I should also most respectfully like to call the committee's attention to the vagueness of the regulation, which allows for considerable confusion. The regulation contains keywords which are not defined. For example:

The first phase of the regulation, effective October 1, 1968, deals with presorting requirements for "identical" pieces. Nowhere, however, is "identical" defined. In our conversations with the Department, we suggested a definition of identical pieces as those "containing records bearing the same catalog number and bearing the same postage."

We have already received a report from one of our member companies that its local postmaster refused to accept this definition and was writing to Washington for further clarification.

A second company reported that its postmaster had defined "identical" as those packages whose dimensions and weight are the same—those that look alike—regardless of whether the contents are identical or not. Under this interpretation, almost all of our industry's mailings would be considered to comprise identical pieces.

In addition, the regulation does not define who the "mailer" is. There are a number of instances in which a company may turn over to a mailing house the mechanical responsibility for its mailings. The mailing house generally performs this kind of work for a number of different companies. To comply with the regulation, does the mailing house have to merge all of the different mailings of all of the companies for whom it performs this service, or does the output of each of the companies stand alone? Who, indeed, is the mailer?

We strongly urge this committee, aside from approving H.R. 19415, which we fully endorse, to clarify some of these ambiguities, rather than leave the mailers at the mercy of an ad lib interpretation.

In conclusion, let me assure you that the record industry is fully aware of the need for a more efficient Post Office Department. We are prepared to cooperate fully with the Department, and with this subcommittee, in achieving this objective.

— Mr. JOHNSON. I would like to ask a few questions. We have 15 minutes here and I think we have only one more witness.

Just how will this affect the record industry? Here is your day in court; let's hear from you.

Mr. BRIEF. This would affect the industry pretty much on the same kind of level that Mr. Cassidy just described. Our principal problem is with the implementation, of course, of the second phase. There you have a situation in which these things are manually done regardless of how sophisticated a setup you may have. If the first phase will produce havoc, the second will produce chaos or vice versa.

Our own people found that the additional cost involved in this will rise as high as 40 percent over and above the rise that was just implemented by Public Law 90-206, enacted in December last year.

Mr. JOHNSON. Do you agree then with Mr. Cassidy that this would amount to practically a 50-percent rate increase rather than the 20-percent rate increase that we put on you last year?

Mr. BRIEF. Ultimately, when you add them both together, absolutely.

Mr. JOHNSON. Are you folks willing to sit down with the Department, as Mr. Cassidy suggests, to try and work out some kind of a fair implementation of this problem?

Mr. BRIEF. Mr. JOHNSON, this is something that both of our industries have been trying to do, without much success, right along.

Mr. JOHNSON. You think if we were to extend this until July 1, 1969, that you would be able to sit down with the Department and work out what you feel would be a reasonable solution.

Mr. BRIEF. Hopefully we do. This regulation, having been published on August 9, gives us less than 2 months to comply with the first phase and a little over 4 months to comply with the second phase. It does not allow much time for anything on anybody's part.

Mr. JOHNSON. Thank you very much.

Mr. BRIEF. Thank you, sir.

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

Mr. BRIEF. May I just call the committee's attention to one little part of my testimony. It was alluded to by Mr. McMillan, I believe, and that is the problem of definitions in this regulation; the question of what constitutes identical, for example. We have already uncovered a situation where one postmaster refuses to accept the definition of the same catalog number and the same postage as being the definition of what constitutes identical, and another postmaster has taken the position that anything is identical if the dimensions and the weight are identical, regardless of what the content of the package is.

I think that unless something is done actually to define the terms we are dealing with, we will be subject from here on out to an ad lib interpretation somewhere along the line.

Mr. OLSEN. This committee will ask the Department to give a response to that very point and perhaps we will get from that response a better definition.

Mr. BRIEF. Thank you, Mr. Chairman.

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

Next we will hear from Henry I. Burr, vice president of the Book Manufacturers' Institute, and he will be presented by Mr. Harold Krieger.

STATEMENT OF HENRY I. BURR, VICE PRESIDENT, BOOK MANUFACTURERS' INSTITUTE, INC., ACCOMPANIED BY HAROLD KRIEGER AND NICHOLAS H. POLITAN, OF KRIEGER, CHODASH & POLITAN, JERSEY CITY, N.J.

Mr. KRIEGER. I am Harold Krieger and I represent the American Book-Stratford Press. I would like to introduce Mr. Henry Burr, vice president of the company, who has a statement and would like to make a few remarks.

Mr. Chairman, before Mr. Burr commences his statement, may I say that I have heard the remarks of the Post Office Department representatives, and the indication was that if this regulation should become effective there would be money available for some sort of music festival, or things of that nature.

It seems, if that is the reason for this regulation, you must first consider the fact that, for example, this company we represent here today manufactures educational books, and 95 percent of its \$100 million of volume a year is educational and religious and textbooks. So that it appears that we are going to have the Post Office Department make a decision that they would rather have music as against textbooks. It does not seem to be logical. That is one point I would like to make.

No. 2, Congressman Johnson stated that this is our day in court because the manufacturers have never had an opportunity to appear, any place, to voice an objection. They first became aware of the regulation a few weeks ago and as soon as they did, the manufacturers immediately started taking steps.

We communicated with the committee and with the Post Office Department and with the General Counsel of the Post Office Department, asking for hearings or an opportunity to go some place and say, "Look, this is our problem. What are we going to do about it?"

I am told if we do not get any relief here, we are not going to get it any place else.

Mr. OLSEN. That is what I was told. I have been downtown, too. If you do not get relief here on this committee, tomorrow as a matter of fact, there is not going to be any.

Mr. KRIEGER. As a lawyer, as this committee knows, ordinarily, if you represent a client, you have an opportunity to go to court and say, "Wait a minute. Give me a stay here. This is something that, if it is going to be effective, is going to take my client's business away."

You have some place to go. The only place we can go for a stay is right here before the committee.

Mr. Burr will explain the situation as it affects his particular company as a manufacturer, which is much different than the publishers' problem. In fact, this particular company has spent millions of dollars in building a plant and has set up a separate post office for the Postal Department and spent hundreds of thousands of dollars to build that for them and gave them a lease without charge, and now the Postal Department will remain on the premises until sometime in January

and maybe thereafter, I do not know, for phase 2. But this company would not even have the space to operate and cannot possibly comply with the regulation by October 1. It is impossible. They have not got the space to do it, they have not got the personnel to do it, and they just cannot comply.

Where do we go and what do we do?

Mr. OLSEN. Without objection, the petition to the Post Office Department by the American Book-Stratford Press will be made a part of the record at this point.

(The petition follows:)

KRIEGER, CHODASH & POLITAN,
Jersey City, N.J., August 30, 1968.

TIMOTHY J. MAY,
General Counsel, Post Office Department,
Washington, D.C.

Hon. W. MARVIN WATSON,
Postmaster General, Post Office Department,
Washington, D.C.

Hon. EDWARD ZDANOWICZ,
Postmaster, Rochelle Park, N.J.

JUDICIAL OFFICER,
Post Office Department, Washington, D.C.

GENTLEMEN: We serve upon you herewith Petition to repeal and/or amend, and/or postpone the effective date, and/or hold a hearing concerning Regulation 135.2 (a) (6), and for temporary relief pending final disposition of the case.

Very truly yours,

NICHOLAS H. POLITAN.

PETITION IN THE MATTER OF THE APPLICATION OF AMERICAN BOOK, STRATFORD PRESS, INC.

To: Timothy J. May, General Counsel, Post Office Department, Washington, D.C.; Hon. W. Marvin Watson, Postmaster General, Post Office Department, Washington, D.C.; Hon. Edward Zdanowicz, Postmaster, Rochelle Park, N.J.; and Judicial Officer, Post Office Department, Washington, D.C.

The Petition of American Book-Stratford Press, Inc., respectfully shows:

1. Petitioner is a book manufacturer composing, printing, binding and shipping books and material to the general public for members of the publishing industry.

2. In the course of its operation, Petitioner uses the facilities of Fourth Class Mail shipping approximately 100,000 pieces per day, with annual postal charges in excess of \$3,000,000 per year.

3. In and about December 16, 1967, Public Law 90-206 (39 U.S.C. § 4554 (e)) was approved. It contained a general provision empowering the Postmaster General to promulgate rules and regulations concerning Fourth Class Mailings. It provided: "Articles may be mailed under this section (special fourth-class rates) in quantities of one thousand or more in a single mailing, as defined by the Postmaster General, only in the manner directed by him."

4. Purportedly pursuant to this provision of the statute, the Postmaster General by regulation 135.2 (a) (6), published August 9, 1968, 33 *Federal Register Number* 155, directed that certain sorting functions be performed by the mailer, to take effect in two stages; Part I to be effective October 1, 1968; Part II to be effective January 15, 1969 (a copy of the regulation is attached hereto).

5. The essence of the first phase of this regulation is that mailers of Fourth Class Mail must, prior to delivery to the Post Office for mailing, sort and separate by three digit Zip Code areas all identical pieces presented in quantities of 1,000 or more in a single day for mailing. The second phase of the regulation effective January 15, 1969 provides that in addition thereto, non-identical pieces of 1,000 or more must be merged and presented for mailing by states.

6. Concerning Petitioner's operation in its plant at Saddle Brook, New Jersey, Petitioner states:

(a) In 1961, American Book constructed a plant at Saddle Brook, New Jersey containing 500,000 square feet. At the time of the construction, after numerous conferences with the postal authorities, it was suggested by them that space be provided for the creation of a detached post office at this location in order to facilitate the post office's functions in handling the mail. To accommodate the

postal authorities request, 6,000 square feet were allocated to the detached unit and additional installations of a complete conveyor system for the operations of the post office were made. Thereafter, the postal authorities requested an additional 6,000 square feet for use as a part of the detached post office. This space included more truck bays for postal use. All of the facilities were constructed and paid for by American Book at a capital cost of approximately \$200,000.

(b) The detached post office facility with all attendant construction, together with all maintenance, services, *i.e.*, cleaning, lighting, heating, rest rooms, etc., are all provided by American Book at no cost to the Postal Department (an annual lease rental of \$1.00 per year).

7. Petitioner asserts that Regulation 135.2(a) (6) exceeds the scope of power conferred upon the Postmaster General by Congress in Public Law 90-206 (39 U.S.C. § 4554 (e)).

8. Petitioner asserts that the promulgation of Regulation 135.2(a) (6) :

(a) is arbitrary, capricious, an abuse of discretion, and otherwise not in accordance with the law ;

(b) is contrary to Petitioner's Constitutional rights, privileges and immunities ;

(c) was adopted without observance of procedures required by law ;

(d) is unsupported by substantial evidence for its necessity ;

(e) fails to take into account facts and circumstances peculiar to your Petitioner and others in a similar status ;

(f) constitutes an unlawful and illegal increase of postal rates contrary to the Constitution of the United States and the statutes of the United States ;

(g) creates impossible practical and operational burdens upon your Petitioner and others in a similar status ;

(h) is impossible to be performed within the time allotted ;

(i) creates impossible economic burdens upon your Petitioner and others in a similar status ;

(j) constitutes a taking of property without due process of law ;

(k) constitutes a transfer of official and quasi-official postal functions to your Petitioner in violation of the Constitution and law of the United States.

9. The implementation of Regulation 135.2(a) (6) will cause immediate, substantial, and irreparable damage and injury to your Petitioner unless said regulation is repealed and/or modified in that :

(a) the time schedule as set forth in the regulation cannot be met ;

(b) the regulation requires the hiring of some 50 additional men by your Petitioner who is presently facing an acute labor shortage in its normal operation ;

(c) the postal functions transferred to your Petitioner by the regulation provides for approximately 866 different sorting units (more than are presently used by the existing Post Office) requiring expertise and training that your Petitioner does not possess ;

(d) the physical space required for these functions is 12,000 to 15,000 square feet. Petitioner has no room in its present warehouse operation to allot space to these functions ;

(e) the present Collective Bargaining Agreement with Unions representing employees employed by your Petitioner contains no provision for the performance of, the salaries to be paid for, the working conditions, and all other circumstances attendant to these postal functions transferred to your Petitioner and in turn to its employees ;

(f) the economic burden and hardship of these functions to be performed by your Petitioner are severe and impossible ;

(g) such other facts and circumstances as are set forth in this Petition and as may be presented in evidence at a hearing on all the issues involved.

Wherefore, your Petitioner respectfully requests that an Order be entered as follows :

(a) Repealing Regulation 135.2(a) (6) ;

(b) Amending Regulation 135.2(a) (6) to such extent as is necessary to exempt Petitioner and others of similar status from its operation ;

(c) Postponing the effective date of Regulation 135.2(a) (6) ;

(d) Setting a date for a hearing at which time evidence can be adduced and presented concerning the regulation and all issues raised by this Petition ;

(e) That pending final hearing before the Postmaster General, General Counsel, and Administrative Reviewer and judicial review of the action taken by them, that the effective date of Regulation 135.2(a) (6) be postponed pending final action by this Agency and final judicial review.

(f) Such other relief as may be just and equitable in the premises.

[From the Federal Register, Vol. 33, No. 155, Friday, Aug. 9, 1968, Washington, D.C.]

TITLE 39—POSTAL SERVICE

CHAPTER 1—POST OFFICE DEPARTMENT, PART 135, FOURTH CLASS

CONDITIONS FOR MAILING 1,000 OR MORE PIECES IN SINGLE MAILING AT SPECIAL FOURTH-CLASS RATE OR AT LIBRARY RATE

Correction

F.R. Doc. 68-9465 appearing at page 11170 of the issue for Wednesday, August 7, 1968, is corrected to read as follows:

In the daily issue of June 29, 1968 (33 F.R. 9554) the Department published a notice of proposed rule making consisting of the addition of a new paragraph (a) (6) to § 135.2 of Title 39, Code of Federal Regulations. The proposed addition of new paragraph (a) (6) was made pursuant to authority in section 108(a) of Public Law 90-206 approved December 16, 1967, and prescribed presorting requirements of articles mailed in quantities of 1,000 or more pieces at the special fourth-class rate or at the library rate. The proposed presorting requirements were to be effective in two stages, the first on October 1, 1968, and the second on January 15, 1969. The first stage requirement provided that identical pieces presented in quantities of 1,000 or more in a single day be separated and placed in sacks by the mailer, and the second stage requirement provided that each piece presented in a single day of 1,000 or more pieces include the complete ZIP Code in the address and be merged and presorted by three-digit ZIP Code area.

Interested persons were given 30 days in which to submit written data, views, and arguments concerning the proposals. After consideration of the comments received, the Department has concluded to adopt the original proposals with the exception that the second stage provision now only requires that nonidentical pieces be merged and presented by State and not by the three-digit ZIP Code area. Accordingly, new paragraph (a) (6) of § 135.2 reads as follows and will be effective on October 1, 1968, and January 15, 1969, as noted:

NOTE: Effective October 1, 1968, § 135.2(a) (6) will read as follows:

§ 135.2 Classification.

(a) *Description.* * * *

(6) Pieces which are identical, presented in quantities of 1,000 or more in a single day for mailing under subparagraphs (4) or (5) of this paragraph, must be separated by the mailer and placed in sacks as follows:

(i) When there is sufficient quantity for a three-digit ZIP code area to fill a sack approximately one-third full, the mailer must place the pieces in a sack labeled for the area.

(ii) If the pieces remaining after the three-digit sort for any State are sufficient to fill a sack approximately one-third full they must be placed in a sack labeled for the State.

(iii) All pieces remaining after the State sacks have been prepared, must be placed in sacks labeled "Mixed States."

(iv) The total weight of pieces placed in one sack must not exceed 80 pounds.

* * * * *

NOTE: The Corresponding Postal Manual section is 135.216.

NOTE: Effective January 15, 1969, § 135.2(a) (6) will read as follows:

§ 135.2 Classification.

(a) *Description.* * * *

(6) Mailers who present 1,000 or more pieces including both identical and nonidentical pieces in any single day for mailing under subparagraph (4) or (5) of this paragraph must prepare the mailings as follows:

(i) Each piece must include the complete ZIP Code in the address.

(ii) Identical pieces (nonidentical pieces may voluntarily be merged with identical pieces).

(a) When there is sufficient quantity of identical pieces for a three-digit ZIP Code area to fill a sack approximately one-third full the mailer must place the pieces in a sack labeled for the area.

(b) If the identical pieces remaining after the three-digit sort for any State are sufficient to fill a sack approximately one-third full they must be placed in a sack labeled for the State.

(c) All identical pieces remaining after the State sacks have been prepared must be placed in sacks labeled "Mixed States."

(iii) Nonidentical pieces.

(a) All nonidentical pieces must be merged and presorted by State. When there is sufficient quantity for a State to fill a sack approximately one-third full, the pieces must be placed in a sack labeled for the State.

(b) All nonidentical pieces remaining after the State sacks have been prepared, must be placed in sacks labeled "Mixed States."

(iv) The total weight of pieces (identical or nonidentical) placed in one sack must not exceed 80 pounds.

* * * * *

NOTE: The corresponding Postal Manual section is 135.216.

(5 U.S.C. 301, 30 U.S.C. 501, 5454(e))

TIMOTHY J. MAY,
General Counsel.

AUGUST 5, 1968.

MR. KRIEGER. I will let Mr. Burr carry on from there.

MR. OLSEN. MR. BURR.

MR. BURR. I would like, before I read my report for the record, to explain specifically the difference between a book manufacturer and a publisher. It is our feeling that, when the Post Office first started working on these regulations, they did not consider the difference. We, as a book manufacturer, handle the distribution and mailing for many, many publishers, large and small. We are a complete service operation.

Therefore, our job is to mail the books when the labels come in to us from publishers within a very short period of time. We have no figure, no knowledge of how many labels are going to come in, whether they are going to be a thousand more or less, whether they are going to be 20,000.

Our business is comprised of large orders and small orders, and we are equipped to handle both, again without knowledge of how many we are going to have on any particular day. So that to comply with these regulations you must be able to program what you are going to do.

In other words, we do not know whether we are going to have many units over a thousand or not over a thousand. To replace the 50 men we have at times in our post office, from our point of view, would be very costly, even ruinous. In fact, we would find it very difficult to decide how to even charge for this service because it is a nonpredictable cost.

Our publisher customers, as a matter of fact, because of the very nature of the mail-order book business, cannot very well predict how many labels they are going to send in to us at any given time. Due to the nature of their business, they must make immediate shipment to the consumer; they cannot hold their labels for any length of time because of the problem of collection, and also the problem that they have a commitment to the recipient to deliver as soon as they can when they receive their money.

I might add that this increased cost is one that is going to be passed on directly to the consumer, especially as it applies to phase 1, because phase 1 covers individual mailing to the individual consumer recipient; whereas, under phase 2, the book shipments might go to bookstores, warehouses, textbook depositories, and so forth. Therefore, this

is a direct cost, and the majority of the books that are mailed as individual copies are not the \$5 price that the Post Office people mentioned; they are a dollar or \$1.50. So you can see this additional cost, which we feel is easily in the neighborhood of 6 cents or more a book, is a large percentage of the selling price of the books, much more so than for the \$5 book that the postal people were talking about. So, therefore, we want to draw your attention to the definite difference between the implementation of phases 1 and 2 and urge you strongly to postpone phase 1 because of manufacturers' complete inability to comply with it.

I would like to read my statement. It is not too long, and I think it covers it.

Mr. DANIELS. You are a book manufacturer as differentiated from a book publisher. The manufacturer is actually a service organization.

Mr. BURR. That is right; we are a contract manufacturer.

Mr. DANIELS. What do you mean by "manufacturer"? You are not actually engaged in the manufacture.

Mr. BURR. Oh, yes. We do the composition, setting the type, the printing and binding, and the books are warehoused in our facilities and shipped.

Mr. DANIELS. As opposed to a service distribution organization?

Mr. BURR. Yes; that is right.

Mr. DANIELS. I wanted to get it straight.

Mr. BURR. The remarks that I make I will make as vice president of the Book Manufacturers' Institute and chairman of the postal committee.

The Book Manufacturers' Institute represents firms doing over 85 percent of the volume of book manufacturing in the competitive market, employing well over 30,000 persons. The institute urgently requests every possible effort on the part of the House Post Office and Civil Service Committee to forestall the imposition of Post Office regulation section 135(2)(a)(6)—fourth-class mail—as proposed by the Post Office Department in two phases, phase 1 to be effective on October 1, 1968, and phase 2 to be effective on January 15, 1969.

Although the general effect of the subject regulation is the same for publishers and manufacturers, there are several important differences which make phase 1, with its direct impact upon manufacturers, more disastrous to them. Except for a very few large book-club publishers, who have their own warehouses, mailings for publishers of books that are mailed directly to consumers is done by book manufacturers. And since manufacturers mail for many publishers, they cannot control the presorting of labels for either identical or unidentical pieces, as can publishers who warehouse and mail generally in bulk shipments in their own operations.

Secondly, a manufacturer mailing both large bulk shipments and individual pieces for several publishers cannot fairly price such services since the manufacturer cannot predict the total quantity on any given day in the future and guess whether a specific order will fall on a day when there will be either over or under the subject 1,000 pieces mailed. In its effect, the proposed regulation imposes arbitrary discrimination as to the cost of books as between publishers and even on the same book for the same publisher.

It is apparent, therefore, that, although the impact on the large manufacturer is severe, the effect on the medium-size and small plants may be disastrous. These inequities are enhanced for the small manufacturer by the fact that he does not consistently have volume under,

or in excess of, the 1,000 pieces subject to the regulation, and therefore cannot automate or have a specific group of employees trained for this task. Obviously this means that publishers and the public must all bear the weight of the costs, or the manufacturer must suffer a loss, or both. In an industry that deals with a custom-made product on which prices are set through bids prior to manufacture, this regulation imposes for both manufacturer and publisher a significant additional cost that is unpredictable. We cannot conceive appropriate alternatives at this point.

A survey shows that most, if not all, of the book manufacturing firms cannot physically comply with the regulation's requirement by October 1. The full extent of the new responsibilities being placed on the mailer are unclear and this adds to the confusion and precludes realistic planning.

For example, the effect of the regulation is to require the mailer to acquire and develop adequate space—which means up to 30,000 square feet—to do the prescribed sorting and other postal functions now transferred to the mailer. In fact, these transferred postal functions are more complex and exceed the present responsibility of the detached postal units. Nor can the space now occupied by existing detached postal units be utilized by the manufacturer, since these postal units serve a function and must continue in operation.

Secondly, the demands for hiring and training from five to 50 people is impossible to accomplish in the time allotted. In many cases, manufacturers cannot hire all the labor they now need and have no idea where additional people, who must be of relatively high caliber, can be obtained.

The integration of such a group into the labor force of the manufacturer, at the level of wages and benefits of the postal employees formerly performing similar functions, undoubtedly will cause many complex problems with the present workers and the unions representing them. Moreover, even assuming the manpower requirement can be met, there are serious questions as to the implications of handling the mail in a quasi-official capacity.

Specifically the many unions involved will very likely raise questions as to whether or not their members, when assigned to the required postal functions, will agree to accept the Federal regulatory responsibilities necessarily attached to performing these duties.

Finally, the administrative and operational procedures necessary to determine the costs to be recovered by manufacturers for their services cannot be developed and implemented without exhaustive study and testing.

The foregoing are but a few of the problems attendant to the imposition of the regulation, which incidentally, appears to have been promulgated by the postal authorities without meeting with the book manufacturing firms who are primarily affected thereby or visiting the existing installations in manufacturing plants to determine functional feasibility.

Our plant in Saddle Brook is one of the largest distributors or manufacturers of books and was not visited to discuss this matter with us.

While it is true postal officials did visit certain publishing houses, as we have heretofore indicated publishers and manufacturers are not similarly affected by phase I of the regulation. The manufacturers, who feel the primary impact of phase I, were not given an oppor-

tunity to pragmatically show the devastating effect of the regulation in question.

Lastly, we respectfully submit that serious and substantial questions as to the authority of the postmaster, under the guise of regulatory power, to increase postal rates are presented. Clearly, the impact upon the book industry of the complete transfer of said postal functions and their attendant costs, constitutes a de facto increase in rates. Yet, this is an area exclusively within the domain of Congress, not to be preempted by the actions of the postmaster. In fact, the action of the postal authority appears in direct conflict with the constitutional powers of Congress to regulate postal rates.

All in all, it appears that the Post Office Department, in order to show an effort to decrease costs has proposed this regulation in an area not subject to public knowledge or concern without adequate meetings with, or personal study of the operations of, firms in the most affected industry. The effect of the regulation can only be: wild confusion and errors in mailing for a long period of time; union and legal problems involved with untangling responsibility and demanding correct performance of an essentially postal function; and inequitable and discriminatory burdens placed upon the book manufacturing industry, its customers, and the public. These are certainly not results contemplated by Congress in the enabling legislation, or the constitutional guidelines involved in setting postal rates.

The foregoing suggests that if the postal authorities are truly faced with a problem of not recovering costs on fourth-class educational matter that direct action in the form of an increase in postal rates is the appropriate, equitable means to accomplish this end, a means that does not transgress the constitutional and legislative domain reserved to Congress.

We urge legislative action to prevent implementation of the proposed regulation pending complete study of all facts.

Mr. OLSEN. Thank you very much, Mr. Krieger and Mr. Burr. We appreciate your coming here today.

Mr. KRIEGER. Thank you.

Mr. OLSEN. It is always good to have our old friend, Mr. Nilan, from the United Federation of Postal Clerks to advise us on legislation.

Mr. Nilan, will you please introduce your compatriots.

STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR, UNITED FEDERATION OF POSTAL CLERKS, ACCOMPANIED BY FRANCIS S. FILBEY, ADMINISTRATIVE AIDE, WASHINGTON OFFICE; AND CHARLES S. SARBAUGH, PRESIDENT OF LOCAL 3285, HANOVER, PA.

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

If I may say so, it is always a pleasure to appear before you as chairman and the distinguished members of your committee also.

I would like to, if I may, Mr. Chairman, first ask that our complete statement as well as the supplementary statement by Mr. Sarbaugh and a copy of our union's letter to the Postmaster General be included in the record as presented, and then, in an effort to cooperate with the committee, I will try briefly to paraphrase our testimony for your information.

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

Mr. NILAN. I would like to introduce, to my left, Mr. Charles Sarbaugh, president of our local 3285 of Hanover, Pa.; and also our executive vice president, administrative aide Mr. Francis Filbey, to my right, who is the administrative aide of our organization from Washington.

I would like to express my appreciation to those who cooperated with us in giving us the opportunity to appear here this morning. I would like to say this also: We cannot help but be impressed, although in a very negative sort of a way that unfortunately the Post Office Department apparently gives to the publishers and the book industry, the record companies, the same type of lip service but no real prior consultation and meaningful consultation when they change regulations, particularly where our people are concerned. This frequently happens with us.

We sympathize with them. I might say we wholeheartedly endorse the presentations made by the previous witnesses, particularly Mr. Cassidy when he stated in his opinion the Post Office Department appears to be working backward in these changes because when you review our testimony you will find that we suggest this also.

I would like to also say, Mr. Chairman, for the record, my good friend and yours, as well as the other members of the committee, James H. Rademacher, president of the National Association of Letter Carriers, advised me this morning that he would be very happy if I would include for the record that the National Association of Letter Carriers wholeheartedly endorses our position in regard to this legislation and that the committee and yourself as chairman will receive a letter to that effect.

Mr. OLSEN. The letter will be made a part of the file, when received.

Mr. NILAN. I might say between our two postal unions, we and the NALC represent 600,000 of the total 800,000 postal employees. We do speak for the postal employees in this great country of ours.

I would like to say first, as you know, we went through a very difficult period in the reassignment of hundreds of thousands of mobile clerks into post offices and we must now go through a similar period of relocation and adjustment of our postal clerks in the so-called detached mail units. The Department suggests this would be approximately 250 to 400 or 500 people, depending on their classification. We suggest to you, Mr. Chairman, as of this morning we have been unable to get from the Post Office Department even the identities of the detached mail units in the post offices concerned. Certainly as of this date, only 3 weeks before the implementation of the first phase, trying to represent our clerks in the affected areas, we are at a decided disadvantage because of this lack of information.

We also would like to reiterate that the Post Office Department, as I mentioned on page 4 of my statement, has again chosen to ignore our organization, namely, the United Federation of Postal Clerks, the union which exclusively represents approximately 306,000 postal clerks throughout the country, concerning these latest controversial Department regulations.

Mr. OLSEN. The committee will ask the Post Office Department to identify these areas and the number of people.

Mr. NILAN. Thank you very much, Mr. Chairman. We appreciate that.

Mr. OLSEN. We will ask them to identify those employees as to whether or not they are temporaries, substitutes, or career.

Mr. NILAN. Thank you, Mr. Chairman.

I might point out that with this change, that will take place starting October 1, we don't know even how many of our people may be required within 30 days to be uprooted and moved to new localities or what the impact of the order will be. Again, we share the concern of the publishers and their problems. We have equal problems, although ours are concerned more with our people rather than with the problems they are concerned with.

Mr. OLSEN. At the time of conversations with the Post Office Department, I was advised that they thought the employers, book companies or the fourth-class mailers, would absorb the temporaries. Maybe some of the substitutes. The Post Office Department would take care of all of the career employees.

Mr. NILAN. Mr. Chairman, all that I can suggest is if the Post Office Department takes care of the career clerks the way they did in the elimination of en route mail distribution, we have plenty to be concerned about. We are not a bit happy with the way that program ended up.

We want to make two suggestions to the committee as we outlined in our statement. One, we would like to have the subsection (e) of the existing law in title 39 amended to remove this authority from the Postmaster General. In our opinion, this would be the immediate and the end solution, but we realize that this could cause some problems. We certainly do feel that the very least the Congress should do in this regard is to change the effective dates both of phase I and phase II to not earlier than July 1 of 1969 and preferably January 1 of 1970. We share again the concern of the book publishers and other witnesses that appeared here this morning that the Congress should have an opportunity, as should the new postal administration starting in January of 1969, to completely review the total ramifications of this problem. Not only how these controversial regulations affect the publishers but how they affect postal clerks, how they affect the best interests of the mailing public and the communities in which our postal clerks live and will be relieved of their assignments which will cause economic hardships on the smaller communities, since most of these large mailing plants are within smaller communities.

Mr. Chairman, in support of these recommendations, we do outline on pages 6 and 7 of our prepared statement seven specific questions that we do suggest the Post Office Department ought to be required to answer prior to any implementation of the controversial provisions pending before this committee.

We share with others the concern that the Post Office Department originally issued these instructions in June because they were concerned with the manpower ceilings which the Congress had at that time placed all Government agencies under, including the Post Office Department. At that time we came up to the Hill and with the Post Office Department urged the Congress to exempt the postal service

from these ceilings, and we were very pleased and complimented the Congress for doing this. However, there are a number of these questions, including proposed savings, for example, which should be answered. The Post Office Department, I believe Mr. McMillan suggested there would be approximately \$4 million-plus in savings. We suggest, Mr. Chairman, that the subsequent rehandlings of the different parcels that we are talking about here today in sectional centers, 542 or whatever the exact number of sectional centers is throughout the country, they fluctuated so much, you remember, during the many months we were both interested in this, but certainly—

Mr. OLSEN. I don't know how many there are.

Mr. NILAN. I don't either. But at any rate, the very situation that the previous witnesses pointed out makes us join with Mr. Cassidy in his statement that the Department is working backwards on this.

Our people, Mr. Sarbaugh and the people who work with him, know that the sacks are going to be dumped in sectional centers, re-sacked out and sent to their ultimate destination and point of delivery. Certainly this is going to be substantial, although very probably a hidden cost like so many other hidden costs in the different types of postal operations. We do suggest that the actual net savings that the Department estimates should be investigated in relationship to the additional manpower and the additional skilled distribution clerks that will have to be used in these sectional centers and terminals in further distribution of this mail.

I might say, Mr. Chairman, if I were representing the book publishers here today, I would have gone a point further. I would have made it perfectly clear to the Post Office Department if they issue these types of orders, that I would certainly have to comply with the orders but they could expect very little additional cooperation from me as far as putting five ZIP code digits in place of three on parcel addresses.

The Department would get only the three-digit pre-sort they are talking about and then let them find out what the tremendous additional costs would be. I would suggest they consider this in any approach they use in this regard.

Mr. Chairman, in conclusion, we do have a supplement by Brother Charles Sarbaugh of our Hanover local. This is typical of the problems that will result from our viewpoint of our people and their families. We do know the committee will review our entire statement, including the supplement. Brother Sarbaugh came here to personally represent some 45 clerks out of an office with 104 clerks that are immediately affected, which is approximately 50 percent of the clerical staff in Hanover, Pa. These people do not know if they are going to have to move in October, be relocated to Philadelphia, or down into this district or someplace else. It is a severe question.

Again, as Mr. Sarbaugh mentions in his statement, we have received absolutely no consultation or exchange of information or any other type of statistical data which would help us in analyzing the situation that is confronting our people in Hanover, I believe also 12 post offices in the State of New Jersey, four or five in the State

of Pennsylvania, and of course quite a few in Indiana and other places throughout the country.

Mr. OLSEN. For the record, I want you to know that we are right now asking the Post Office Department to answer these questions.

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

I believe it would be helpful to your ultimate decision on the legislation.

Mr. OLSEN. We will try to have answers to that just as rapidly as they can meet it. I am sure that they will cooperate with us.

(The following material was furnished by the Post Office Department.)

SEPTEMBER 10, 1968.

Hon. ARNOLD OLSEN,
*Chairman, Subcommittee on Postal Rates,
Committee on Post Office and Civil Service,
U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: Following the hearing of September 10, on H.R. 19415, you asked the Department to furnish the Sub-Committee answers to seven questions contained in the record of the hearing on Pages 6 and 7 of testimony presented by Patrick J. Nilan, National Legislative Director of the United Federation of Postal Clerks.

(EDITOR'S NOTE.—For list of seven questions referred to, see p. 52.)

The answers are:

1. No. The proposed regulations represent an action taken by the Department to implement Section 108 of P.L. 90-206 in an effort to improve the cost-revenue relationship on this type mail.

2. 348 career employees and 157 temporary non-career employees.

3. The excess employees will be reassigned in accordance with Article XII of the National Agreement. They will be reassigned at their own post office if vacancies exist; otherwise, they will be reassigned in positions they choose from among those designated by the Department.

I commented on this feature on page 5 of my statement to the Sub-Committee. You can be sure the Department will minimize the inconvenience to employees by offering them reassignments as near their present location as possible.

4. \$4,044,555 on an annual basis.

5. No equipment will be given to mailers. If necessary, the Department will loan sack racks to mailers until they can acquire their own.

6. It is estimated that at least one-half of the postal employees will remain in their same post office. Others will not be required to change their residences because of employment at another post office within reasonable commuting distance. In those instances where postal employees will relocate their residences, the economic impact to the community is not known. We believe it to be small and it will be offset to the extent to which the private mailers increase their employment.

7. We anticipate no significant reaction from the general public regarding these regulations.

The Department has honored its agreement to exchange information with the United Federation of Postal Clerks. Information was mailed to the Federation at their Minneapolis Convention Headquarters August 9, 1968. We received no comment or reaction from the Federation until September 5 and no request for a meeting until the letter to Postmaster General Watson dated September 9. The Department had no obligation to consult with, or to exchange information, during its consideration of how to implement the authority to regulate the use of the special fourth class rate. Once that decision was made, the Federation was entitled to information because of the effect on clerical employment. That information, copy attached, was supplied at the same time it was made available to the Department's Regional Managers.

We stand willing to meet our obligation to consult in regards to relocating employees affected by the changes.

Sincerely yours,

W. M. McMILLAN.

POST OFFICE DEPARTMENT,
BUREAU OF PERSONNEL,
Washington, D.C., August 9, 1968.

To: Employee organizations.

From: Director, Labor Relations Division, Bureau of Personnel.

This is to inform you that the Department has sent the following instructions to all Regional Directors relative to a notice which appeared in the Federal Register, August 6, 1968 requiring the presorting of articles mailed at the special fourth-class rate under Sections 135.214 and 135.215 of the Postal Manual (Postal Manual changes reflecting these regulations will be issued as soon as possible):

Planning must begin immediately to make the necessary manpower adjustments so that the maximum potential savings will be captured as the two phases of these regulations are implemented.

The regulations to be effective October 1, 1968, will reduce the manpower requirements in some Detached Mail Units while the regulations to be effective January 15, 1969, should eliminate the necessity for DMU's presently processing this type of mail. Attached is a compilation, which may or may not be fully complete, of Detached Mailing Units which, to our knowledge, process this type of mail.

It is requested that you accomplish the following actions, in the order listed, in accordance with the specified timetable:

1. Immediately upon receipt of this memorandum, you should identify the Detached Mail Units in your Region which will be affected, making a determination of those which can be completely eliminated, and those whose operations will be partially affected by the new requirements.

2. Immediately upon receipt of this memorandum, you should arrange to hold a sufficient number of career vacancies at the offices affected in order to accommodate the placement of career employees who are to be surplussed from the DMU's by the new regulations. At any office where a sufficient number of career vacancies do not presently exist, you should immediately place a freeze on filling of future vacancies until such time as a sufficient number of vacancies have been accumulated to place the surplus employees.

At those offices where it is likely that the number of employees to be surplussed exceeds that which can be accommodated at the post office where a DMU is located, consideration should be given to placing a freeze on career vacancies at other post offices in an area you determine to be sufficiently broad to accommodate the placement of surplus employees by January 15, 1969.

3. Review the staffing of each Detached Mail Unit presently handling this class of mail and furnish the Installations Management Division of this Bureau with a report on the present staffing, in the format attached hereto, not later than August 28, 1968. Include the proposed disposition of the personnel involved, together with a statement of any problems foreseen.

4. Prior to October 1, 1968, when the first phase of these changes goes into effect, you should determine the number of employees who can be withdrawn from DMU's. The number withdrawn must be commensurate with the reduction of workload.

5. Report to the Installations Management Division not later than October 4, 1968, the number of employees and/or manhours withdrawn from each separate DMU. Identify the DMU by post office and name of the company where it is operated. Manhour reductions must be supported by copies of appropriate Form 110, and position reversions must be supported by copies of Form 1644.

6. Prior to January 15, 1969, you should make plans to completely abolish all DMU's which have been established to handle this class of mail and promptly relocate all remaining career excess employees on that date.

7. Advise the Installations Management Division not later than January 17, 1969, of the number of DMU's abolished (separately by post office and name of company), and the number of career employees and manhours made excess by this action. Manhour reductions must be supported by appropriate copies of Form 110. Position reversions must be supported by copies of Form 1644.

All reassignments of personnel covered by the Labor-Management Agreement, made surplus by the new requirements, must be handled in accordance with Article XII of the National Agreement. This Article requires notification at the regional level to those organizations having exclusive recognition for the crafts affected.

Firm	1967 man-hours	1967 volume	Makeup 1965 (percent)		
			Directs	SCF's	Terminal
Colonial Press, Clinton, Mass.....	14, 681	3, 095, 000	(1)	(1)	(1)
Associated Book Co., Bloomfield, N.J.....	24, 077	3, 327, 000	(1) 62	(1) 12	(1) 26
Economy Book Store, Kearney, N.J.....	8, 575	2, 697, 000	(1)	(1)	(1)
Holt Rinehart-Winston, Clifton, N.J.....	3, 979	907, 000	50	6	44
Dell Pub. Co., Pine Brook, N.J.....	5, 772	347, 000	54	-----	46
Wayne Warehousing, Wayne, N.J.....	2, 621	230, 000	69	2	29
American Bible, Wayne, N.J.....	5, 826	403, 000	51	-----	49
Book Warehouse, Paterson, N.J.....	4, 369	617, 000	(1)	(1)	(1)
Scholastic, Englewood, N.J.....	26, 692	1, 920, 000	(1)	(1)	(1)
Prentice Hall, Englewood, N.J.....	16, 815	1, 737, 000	32	17	51
Harcourt Brace, Saddlebrook, N.J.....	10, 181	925, 000	46	21	33
American Book, Saddlebrook, N.J.....	59, 596	7, 805, 000	30	11	59
RCA, Rockaway, N.J.....	10, 000	1, 427, 000	52	5	43
MacMillan Co., Riverside, N.J.....	17, 409	2, 364, 000	39	3	58
McGraw Hill, Hightstown, N.J.....	15, 336	2, 420, 000	55	7	38
Columbia Records, Brooklyn, N.Y.....	15, 592	3, 750, 000	(2)	(2)	(2)
Prentice-Hall, West Nyack, N.Y.....	13, 360	1, 535, 000	(1)	(1)	(1)
J. W. Clement, Depew, N.Y.....	6, 137	426, 000	(1)	(1)	(1)
Western Printing Co., Poughkeepsie, N.Y.....	6, 016	790, 000	34	-----	66
Doubleday, Hanover, Pa.....	93, 728	18, 082, 000	(2)	(2)	(2)
Harper Press, Scranton, Pa.....	5, 556	827, 000	74	-----	26
Haddon Craftsman, Scranton, Pa.....	21, 958	4, 125, 000	34	16	50
Random House, Westminster, Md.....	7, 500	1, 000, 000	(1)	(1)	(1)
Fawcett Haynes, Rockville, Md.....	20, 000	6, 000, 000	(1)	(1)	(1)
Kingsport Press, Kingsport, Tenn.....	21, 748	3, 685, 675	82	-----	18
Rand & McNally, Versailles, Ky.....	2, 111	166, 000	(1)	(1)	(1)
R. R. Donnelly, Crawfordsville, Ind.....	58, 606	27, 778, 000	(2)	(2)	(2)
R. R. Donnelly, Willard, Ohio.....	13, 346	1, 138, 000	(2)	(2)	(2)
RCA, Indianapolis, Ind.....	52, 000	6, 500, 000	29	-----	71
Rand & McNally, Hammond, Ind.....	33, 172	3, 880, 000	55	2	43
Columbia Records, Terre Haute, Ind.....	30, 006	8, 075, 000	(2)	(2)	(2)
McGraw Hill, Ballwin, Mo.....	6, 864	820, 000	(1)	(1)	(1)
McGraw Hill, Novata, Calif.....	3, 196	230, 000	(1)	(1)	(1)
Columbia Records, Santa Maria, Calif.....	9, 568	4, 652, 000	(2)	(2)	(2)
Scholastic, Pleasanton, Calif.....	4, 480	830, 000	(1)	(1)	(1)

¹ Unknown.

² Identical pieces are produced in ZIP code sequence and previous densities are no longer valid.

Mr. NILAN. Mr. Chairman, we would like to conclude this part by referring you to our letter of September 9 which was addressed to Postmaster General Marvin W. Watson and signed by Don E. Dunn, our executive vice president.

I believe you know President Halbeck suffered a severe virus attack in our convention last month and has been unable to return to work as of this date. This letter again, as we have so often mentioned, points out the attitude of the Post Office Department: which is to tell us what they want us to know and not telling us what we should know or have a basic right to know.

I might add, in conclusion, I was very impressed by Mr. McMillan's statement on page 5 when he refers to our national agreement, article XII, negotiated with the postal employee organizations having exclusive recognition, in which he recognizes that we do have a national agreement. We would have also hoped that the Post Office Department would also equally recognize that that same national agreement in article IV provides for an exchange of information and/or consultation on all Post Office Department orders which would affect postal

clerk working conditions, policy, practices, and so on. On the new regulations we have been completely ignored and unfortunately we ourselves didn't become aware of the new orders until we were in the midst of a very demanding national convention at which we were very pleased to have you and Mr. Daniels.

We have been unable, as of this date, to have any meaningful discussions with postal officials. I might add to Congressman Daniels this is but another indication of why we so aggressively support his original legislation—labor-management legislation—H.R. 460, which Congressman Olsen also cosponsored, and many other committee members. We know if such labor-management legislation was enacted into law we would not be ignored by officials of the Post Office Department while trying to represent our people.

Thank you very much, Mr. Chairman. And myself, Mr. Filbey, and Mr. Sarbaugh will be very happy to respond to any questions you may have regarding our presentation.

Mr. OLSEN. Mr. Daniels?

Mr. DANIELS. Mr. Chairman, I have no questions to present to the witness. I do wish to compliment Mr. Nilan for his most impressive, articulate presentation here this morning.

As usual, you have made your points very, very clear. I want to assure you that I as one member of this committee will give very active consideration to what you have stated.

Mr. NILAN. Thank you very much.

Mr. OLSEN. Mr. Johnson?

Mr. JOHNSON. Mr. Nilan, I am not going to ask you any questions. You did a pretty good job here. I just want to say to Mr. Sarbaugh—how do you spell your name?

Mr. SARBAUGH. S-a-r-b-a-u-g-h.

Mr. JOHNSON. We want to welcome you here on your maiden appearance in front of a legislative committee. I just thought you might have something on your mind you would like to say to us very quickly.

Mr. SARBAUGH. Yes, sir. I think that this is a very decisive action by the Post Office that they should under no circumstances have taken without consultation with our organization. I am the president of it and I live in a very small town. I am the president of a very small local and almost 50 percent of my clerks are going to lose their jobs because of this.

Mr. OLSEN. How big is your town?

Mr. SARBAUGH. About 18,000 people.

Mr. OLSEN. You have how many clerks?

Mr. SARBAUGH. 104. Forty-five will be excess.

Mr. JOHNSON. Won't they have the opportunity to go over to the Doubleday people and work with them?

Mr. SARBAUGH. That is possible, sir. But, I happen to be a very efficient distributor and the Doubleday people have no work of my type. The Post Office Department continually is screaming about not being able to retain good help or to hire good help. Yet they are doing their best to get rid of us.

Mr. JOHNSON. Thank you very much.

Mr. SARBAUGH. You are welcome.

Mr. OLSEN. Your specialty as a clerk would be that you would know the schemes?

Mr. SARBAUGH. Yes, sir; I do know the schemes.

Mr. OLSEN. How many of the 104 clerks there have that knowledge?

Mr. SARBAUGH. There are about 75 of us. The ironic part of this is that the qualified people that actually work in the post office and distribute mail will be the people who are excessed out of the office and the senior men who picked Doubleday as a preferential duty will be replacing me with scheme knowledge that has expired 10 years ago.

Mr. OLSEN. People that were in the post office have the scheme knowledge. The people over at Doubleday Co. don't necessarily have that?

Mr. SARBAUGH. That is correct.

Mr. OLSEN. Why not?

Mr. SARBAUGH. Because it is not necessary there. Because as Mr. Cassidy pointed out, most of their work is done by numerical digits, the ZIP code system. One thing I would like to say in support of Mr. Cassidy's testimony, we pull all the solid cities out of the Doubleday mailing that we can possibly pull down to five-digit sort. We know by past experience exactly, almost exactly what cities and towns in the United States will have enough books going to that town to create a solid. Therefore, my clerks pull that solid.

Mr. OLSEN. What is a solid?

Mr. SARBAUGH. That is at least 12 books to any one town. From the time that we finish with that bag it is never touched again until it gets to the town of destination. Under this proposed ruling all of these solids will be disregarded. They will be put into sectional centers or terminal bags, sent on to a terminal, dumped, reworked, sent to the town, dumped, reworked down into the last two digits of the ZIP code. Mr. McMillan very nicely stated he is going to save \$4 million. That could be true. However, it is going to cost them an awful lot more with more handlings than he can ever imagine.

Mr. OLSEN. I must say for Mr. McMillan, because I did meet with him personally and with the Postmaster General about their idea concerning the sorting of these nonidentical pieces to the State, that they feel they can handle this so simply that it won't make a ripple.

Mr. SARBAUGH. I am sorry. I beg to disagree with Mr. McMillan. Will you please ask him when was the last time he worked in a post office? When was the last time? When was the last time the gentleman worked mail? Would he please try to explain to us clerks, who do work it every day, how we can do it so much simpler.

Mr. OLSEN. What he says is what you handle at Hanover, Pa., could be handled so very easily in any of the State centers.

Mr. SARBAUGH. That is not true. The Postmaster General continually has testified that the best place to do the primary sort of mail is at its origin, not foist the work onto offices farther along the line. Right now he is deliberately contradicting himself.

Mr. NILAN. May I come in at this point? I certainly have been witness to this. The Post Office Department has repeatedly insisted they wanted to eliminate as many steps in the handling and distribution of mail, regardless of class of mail, and they have made quite a point of this, particularly under the ZIP code presort program. Now they are reversing themselves and establishing a program which is going to require more clerical distribution time and also have more errors in this. There is no question about it.

He experienced it with these other clerks and now the Department is reversing its position back to the three-digit presort operation.

I say again, were I a mailer I would give them the three-digit presort and let them work with it.

Mr. JOHNSON. I yield back the balance of my time.

Mr. OLSEN. Thank you, Mr. Johnson. We have quite a team here. Olsen and Johnson.

Mr. NILAN. All Irish, I believe, Mr. Olsen.

Mr. SARBAUGH. May I interject one other thing?

Mr. OLSEN. Surely.

Mr. SARBAUGH. Mr. Cassidy made a very valid point in the fact that I am trained in this dispatch of his mail. If the mailers are forced into this, that means a wholesale transition of trained postal employees out of an installation and being replaced by people who know absolutely nothing about our work. What kind of chaos is this going to cause in sectional centers, State terminals, and mixed State bags? These people can't be expected to learn overnight. Who is going to pay for that?

Mr. OLSEN. I am glad I don't have to answer your question.

Thank you, gentlemen, very much.

Mr. NILAN. Thank you, Mr. Chairman.

Mr. OLSEN. As usual, you have done a very wonderful job. We very much appreciate your appearance here.

Mr. SARBAUGH. Thank you, sir.

Mr. OLSEN. The committee stands adjourned.

(Whereupon, at 12:26 p.m., the subcommittee adjourned.)

(The prepared statement of Mr. Nilan with a supplemental statement prepared for submission by Mr. Sarbaugh, and letter to the Postmaster General from the United Federation of Postal Clerks, dated Sept. 9, 1968, follow:)

PREPARED STATEMENT OF UNITED FEDERATION OF POSTAL CLERKS (AFL-CIO)

Mr. Chairman and members of the committee, for the record, I am Patrick J. Nilan, National Legislative Director of the United Federation of Postal Clerks, AFL-CIO. I am very pleased to appear before this Committee this morning with our Administrative Aide, Francis S. Filbey, of our Washington office and Charles S. Sarbaugh, President of our Local 3285, from Hanover, Pennsylvania. I regret our Executive Vice President Don E. Dunn is unable to appear with us because of other developments demanding his immediate attention.

We appear here today concerning the pending legislation, H. R. 19415, in behalf of the Nation's 306,000 postal clerks for whom we are the Exclusive national representative in labor-management relations with the Post Office Department. Our membership in the postal clerk craft is employed in post offices within the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

The United Federation of Postal Clerks would like to take this opportunity to express its appreciation to the Chairman and members of this Committee for scheduling hearings on H. R. 19415. The formal statement which I am presenting at this time will be brief and to the point in opposition to the Post Office Department's implementation of certain provisions in Public Law 90-206 concerned with pre-sorting requirements of articles mailed in quantities of 1,000 or more pieces mailed at the "Special Fourth-class rate" or at the library rate.

Our statement will be mainly concerned with suggesting a number of questions which, in our opinion, the Post Office Department should be required to answer responsibly and authoritatively prior to actual implementation of the proposed new pre-sorting requirements referred to in P. L. 90-206. While we endorse the legislation, H. R. 19415, we are also recommending several amendments to the Committee for consideration in drafting the final legislative proposal which, we hope the Congress will act on favorably at the earliest possible date.

At the conclusion of this statement I would like to have the statement identified as Supplement "A" placed in the record by Charles S. Sarbaugh, president of our Local 3285 of Hanover, Pennsylvania, for approximately one-half of the regular clerical force will be surplussed out of their present jobs in the detached mail unit with the expectation of being reassigned to employment in other post offices. Mr. Sarbaugh's statement, while pertaining only to Hanover, is a tragic example of what may be expected in a considerable number of other post offices throughout this great country of ours, with hundreds and possibly even thousands of postal clerk jobs being eliminated.

Mr. Chairman and members of the Committee, the membership of the United Federation of Postal Clerks has experienced considerable hardship and innumerable problems during the last several years as a result of the elimination of the overwhelming majority of the nation's railway mail trains and highway post offices.

Thousands of dedicated railway mail clerks have been relocated to new communities and new postal facilities in order to maintain employment in the postal service. Hundreds and thousands of other mobile clerks retired or resigned from the Postal Service as a result of the elimination of enroute mail distribution.

Now, it appears hundreds, and perhaps even thousands of postal clerks employed in the so-called detached mail units in an undetermined number of post offices throughout the country, will also lose their present jobs and either be assigned to new duties in their post offices, or in far too many instances relocated to other communities and post offices if they desire to remain in the postal service. The statement by Charles S. Sarbaugh will provide the Committee with specific information concerning his own post office at Hanover, Pennsylvania, and which will be indicative of similar reassignments of postal clerks in many post offices throughout the country.

The latest changes in the handling of fourth-class mail at the special rate, to be pre-sorted by private mailers when articles mailed in quantities of 1,000 or more pieces are mailed, will result in additional hardships and extensive problems for the clerks concerned, as well as their families. We vigorously oppose these new Post Office Department regulations as announced in "The Federal Register" of August 9, 1968. These new regulations will become operative as of October 1, 1968 and fully implemented as of January 15, 1969.

As of this date, we know that several hundred of our postal clerks will lose their jobs in the Philadelphia Postal Region alone. These clerks are presently employed in twelve post offices in New Jersey and three post offices in Pennsylvania. However, this is only the beginning. We have also been advised, for example, that in the state of Indiana alone, dedicated career postal clerks will be surplussed from post offices in Terre Haute, Crawfordsville, Hammond, and Indianapolis. There is no way of knowing exactly how many clerks will be affected in these particular offices in the state of Indiana, but we are confident that hundreds of clerks will be involved, and this situation will be repeated many times over in other post offices throughout the country.

Unfortunately, the Post Office Department has again chosen to ignore our organization, namely, the United Federation of Postal Clerks, the union which exclusively represents approximately 306,000 postal clerks throughout the country concerning these latest controversial Department regulations. While it is true the Post Office Department announced their intention to implement the apparent authority given to the Postmaster General in Public Law 90-206, in the Federal Register this was done without any prior notice, exchange of information or consultation with our exclusive postal clerk organization.

The United Federation of Postal Clerks has protested this lack of consultation or exchange of information in advance of the Post Office Department regulations at a meeting with the Post Office Department on September 5. Subsequently, our organization protested formally, and in writing, to Postmaster General W. Marvin Watson, concerning this deplorable situation, and I am including a copy of our letter of September 9, 1968, at the end of this statement for the information of this Committee.

Mr. Chairman, and members of this Committee, we believe the two statements included at the end of this formal statement, by Mr. Charles Sarbaugh, and our letter addressed to Postmaster General W. Marvin Watson, that we make a strong case to amend the legislation H.R. 19415, to rescind the authority granted to the Postmaster General by Public Law 90-206, and delete from the section concerned with "Special Rate Fourth-class mail" subsection "(e) articles may be mailed under this section in quantities of 1,000 or more in a single mailing as defined by

the Postmaster General, only in the manner directed by him." If this Committee, in considering the legislation, H. R. 19415, does not desire to accept this proposed amendment, then we strongly urge the Committee to change the existing language of H. R. 19415, by changing the date in line 5 from July 1, 1969 to January 1, 1970.

We seriously challenge the implementation by the Post Office Department of the Special Fourth-class rate provisions as being economical or efficient, or in the best interest of the Postal Service. It is our considered opinion that the 91st Congress and the Executive and Postal Administration in office starting in January 1969, should carefully review the entire impact by these new postal regulations on the Postal Service, postal employees, and certainly the communities within which the mailing patrons live and the postal clerks are employed.

We also suggest the delay in implementing these instructions until January 1, 1970, will give this Committee time to have the following questions answered by responsible and appropriate Postal officials concerning implementation of these regulations:

1. Was the original proposal on "Special Fourth-class" mailings which appeared in the "Federal Register" dated June 29, 1968, a Department action in anticipation of the manpower ceiling voted at that time by the United States Congress?

(a) If this is the case, why does this ruling remain in effect since the Post Office Department has been exempted from these manpower ceilings?

2. What is the number of postal clerk positions which will be affected and/or eliminated on a nation-wide basis as a result of these Post Office Department regulations?

3. Where will the postal clerks who are surplussed from the affected installations be reassigned or relocated in the Postal Service?

4. If this ruling is implemented, how much money will actually be saved by the Post Office Department; and over what period of time will these alleged savings accrue?

5. How much Department equipment, such as mail conveyors, distribution cases, mailing racks, etc.; would be turned over to private mailers, and what is the cost of this Post Office Department owned equipment?

6. As most of these detached mailing units are located in small towns or cities, what overall adverse economic effect will be felt by the communities concerned because of the decreased purchasing and economic power of the affected employees and their families?

7. Because of the increased cost to the mailers, due to the implementing of this controversial ruling, these costs must be passed on to the consumer, particularly since the contracts of the subscribers usually provide for the cost of the item, plus certain mailing and postage charges. Are the proposed savings to the Department sufficient to offset the ill will of the Public toward an already badly abused Postal Service?

Mr. Chairman, and members of the Committee, thank you for your consideration of our testimony, and we will appreciate, at this time, the statement of Charles S. Sarbaugh being introduced into the record, as well as our letter of September 9, 1968, addressed to the Postmaster General. We will be more than happy to respond to any questions by the Committee, and do appreciate your interest in this legislative proposal, and hope you will accept our recommendations and amendments to H.R. 19415.

SUPPLEMENT A

The following statement is submitted by the United Federation of Postal Clerks. This statement was prepared at the request of our union by Charles S. Sarbaugh, President, Local 3285, United Federation of Postal Clerks, Hanover, Pennsylvania.

This statement is submitted to the Subcommittee on Postal Rates of the House Post Office and Civil Service Committee. This statement is in opposition to the Post Office Department's implementation of certain provisions and Public Law 90-206 concerned with presort requirements of articles mailed in quantities of 1,000 or more pieces mailed at the special fourth-class rate or at the library rate.

The Post Office Department announced the time schedule for this controversial implementation in several editions of the "Federal Register" and the "Postal Bulletin" of August 22, 1968. I say controversial because this program will cause undue hardship and even loss of jobs for postal clerks in Hanover, Pennsylvania and many other post offices throughout the country.

The new postal directives make mandatory the complete takeover of all operations of "detached mailing units" by mailing patrons that avail themselves of this "special fourth-class" rate. Career postal employees will be replaced by personnel of these private mailers. This ruling requires mailers to completely take over work presently being performed by career postal employees in 2-phase; beginning October 1, 1968 and to complete the changeover by January 15, 1969.

My post office in Hanover, Pennsylvania, has, to my knowledge, the largest detached mailing unit in the United States Postal Service to be affected by this ruling. Before I discuss the impact of this ruling on our postal clerks in Hanover, I would like to bring some facts to the attention of this Committee on behalf of the membership of Local 3285.

It is our contention that the Post Office Department is guilty of violating provisions of the National Agreement with the Exclusive Postal Organizations. According to Executive Order 10988 and the National Agreement, any Post Office Department policy which has an impact on personnel or the working conditions, etc. of postal clerks, for example, must be referred to the Exclusive Organizations for consultation and/or exchange of information prior to the policy being implemented.

I understand that no consultation or exchange of information was ever held on these proposed new regulations even though potentially thousands of postal clerks could be adversely affected nationwide. The first time any of us knew of these new regulations was on August 8, 1968, when I received copies of the "Federal Register" stating that the regulation originally proposed on June 29, 1968 would go into effect as of August 8. Action, such as this, by the Department which affect postal employes are becoming more and more common-place in the Postal Service and employe morale is deteriorating rapidly because of conditions and situations such as this one.

I informed our national officers of the United Federation of Postal Clerks of this ruling at our National Convention in Minneapolis on August 11, 1968. I have been advised that the Post Office Department did not notify our national officers concerning this situation until a letter was sent by officials of the Post Office Department to the Federation on August 23, 1968. This letter announced the intention to do away with all detached mail units which would, of course, result in surplusage of affected postal clerks.

At this late date, there is nothing anyone, including our national officers, could do about the ruling; and finally, on August 27, I was notified by the Philadelphia Postal Regional Office that a meeting would be held in Hanover, Pennsylvania, on September 12 to implement the discontinuance of the detached mail unit in our area.

There are 104 regular clerks in the Hanover Post Office and 43 of these clerks are assigned to the detached mail unit. Our office will now be required to surplus these 43 clerks "most of them are family men with children", men who are extremely proficient as clerks and who have handled type of mail efficiently and economically for many years.

While it appears that all the surplused clerks will be offered jobs somewhere in the Postal Service, as of this date at least, no one in the Post Office Department will tell us where such new jobs may be offered. We do not know if we will be able to commute from our present homes to our new place of employment; whether we will have to be physically relocated to a distant city; or as a result of eliminating the detached mail units, perhaps even resign from the Postal Service.

If we are forced to relocate from our present employment in Hanover, Pennsylvania, our people will have to sell their homes (no doubt at a loss), uproot their families from familiar environment; such as, schools, churches, friends, etc. and begin an entirely new career at an entirely new and unfamiliar post office in a new entirely unfamiliar community.

It is common knowledge that the only postal jobs we will be able to fill will be the jobs no one else wants, and we can expect that such jobs will be on Tour 1, the midnight tour, in whatever post office we are assigned to.

Conditions such as I have described above have caused a deep resentment among these adversely affected postal clerks against the Department and caused a serious morale problem in the Hanover Post Office. We sincerely believe that should these regulations be implemented (particularly consistent with the October 1, 1968 and the January 15, 1969 time table) many of our long, serviced dedicated postal clerks will be forced to resign.

It is no wonder that the Post Office Department experiences continuing difficulty in recruiting qualified and capable postal clerks and has the same problems even retaining the trained postal employees already on Government rolls because such untimely and arbitrary decisions made by top postal officials. Action, such as this, do their best to destroy all employee insensitive toward doing a good job, stifling the initiative of the dedicated individual employee, and finally, driving experienced employees from the Postal Service to the outside industry. The deplorable state of morale in the Postal Service today is caused largely by such management, unilateral policy decisions and are not caused by the individual postal employee or his union.

In conclusion, I wish to state that these rulings by the Post Office Department may not really result in any practical value or economy as far as the Postal Service is concerned. Already the new regulations have caused discontent and unrest among postal clerk employes and forced mailing patrons into a corner. If a mailer is forced to perform the work of experienced postal clerks with inexperienced new employes, the continuing and increased work of our career postal clerks at terminals and section center facilities will be much more demanding and could result in more errors since the fine presort and distribution of this mail presently being performed by career postal clerks in these detached mail units will be gone. This will be true because the mailer will only be required to separate this mail by a 3-digit sectional center sort, whereas we now presort to "solids" using the 5-digit zip code presort.

It would appear obvious that the mailers are not going to receive a so-called "preferential" rate as any patron can mail educational material at this same rate. This rate cannot be worked into the same category as third-class bulk mail as any patron cannot mail at these rates which are for nonprofit groups.

It is the opinion of our Local 3285 membership of Hanover, Pennsylvania, that these new, special fourth-class presort mailing orders are not really in the best interest of the mailers, the postal clerks, or the public good.

UNITED FEDERATION OF POSTAL CLERKS, AFL-CIO,
Washington, D.C., September 9, 1968.

HON. W. MARVIN WATSON,
Postmaster General, Post Office Department,
Washington, D.C.

DEAR SIR: The United Federation of Postal Clerks, AFL-CIO, protests the action taken by the Post Office Department which will lead to the elimination of a number of detached Mail Units for the following reasons:

1. No advance consultation of exchange of information was afforded this organization prior to the issuance of the proposed rule published in the Federal Register, volume 33, number 127, dated Saturday, June 29, 1968.
2. No discussions concerning the impact the changes would have on the members of our craft have taken place to date.
3. No opportunity was afforded this organization to examine the proposal and make alternate suggestions prior to the issuance of the regulations on August 9, 1968.

In view of the above, it is requested that a meeting be held with you for a full discussion concerning this entire situation at the earliest possible time, certainly, prior to the implementation of the program.

Further, we request that implementation of these orders be postponed until meaningful consultation and discussion can take place and the membership of our union protected against the obvious hardships and potential physical dislocation of postal clerks and their families as a direct result of these orders.

Sincerely yours,

DON E. DUNN,
Executive Vice President.

(The following letter and telegram were received by the subcommittee for inclusion in the record.)

PRINTING INDUSTRIES OF AMERICA, INC.,
Washington, D.C., September 10, 1968.

REPRESENTATIVE ARNOLD OLSEN,
Chairman, Subcommittee on Postal Rates of the Committee on Post Office and Civil Service, U.S. House of Representatives, Washington, D.C.

DEAR REPRESENTATIVE OLSEN: Thank you for the privilege of appearing before your subcommittee today.

As an unscheduled witness I did not want to burden the time of your subcommittee by additional testimony. The position of the Postmaster General indicating the necessity for quick action is illogical for the following reasons:

1. There is no savings to the user of the mail and to the individual purchasing the book or record. The Post Office Department will spend less money but there is no reason to assume that the total cost of the operation will be less. There are no fewer operations to be performed because of these regulations.

2. The practice of detached post offices has been in effect for some time. The Postmaster is not under a mandate of Congress (as he stated) to eliminate these quickly. Since the discontinuance too quickly can result in unnecessary hardship and inconvenience to a group of Government employees, a more moderate scheduling of this change would be in keeping with good personnel relations. A slower schedule might enable some employees to avoid moving their families.

3. From the information furnished to us by companies doing the mailing, the Post Office Department has not effectively endeavored to work out with the publishers and printers cooperatively a careful studied approach to the discontinuance of these detached units.

4. Finally, it is evident that to some of the companies this new regulation creates serious problems of varying magnitude and more time must be given. They should be relieved of the burden of individual appeal.

The Post Office Department is to be commended for recognizing its mistake last December when it endeavored to apply the third class procedures to this special fourth class matter. It is to be commended also for recognizing how impractical it would be to merge items that are not identical. These are, however, evidence of the Department's tendency to act first and react later.

It would seem all that is required here is for additional time to be given and for the Postmaster General to adopt an attitude of willingness to work with all parties involved in his proposed regulations. The outcome of such discussions may well save the Post Office Department considerably more than what may be the questionable savings resulting from his present proposal.

It is fortunate that your subcommittee is alert to these issues and is available as an arbitrator of actions which the Post Office Department proposes to take from time to time.

Sincerely,

BERNARD J. TAYMANS, *President.*

[Telegram]

NEW YORK, N.Y., September 3.

REPRESENTATIVE THADDEUS J. DULSKI,
Longworth House Office Building,
Washington, D.C.:

The Book Manufacturers Institute represents firms doing over 75% of the volume of book manufacturing in the competitive market, employing well over 30,000 persons. The institute urgently requests every possible effort on the part of the House Post Office and Civil Service Committee to forestall the imposition of Post Office regulation section 135(2)(A)(6) (fourth-class mail) as proposed by the Post Office Department in two phases, phase I to be effective on October 1, 1968 and phase II to be effective on January 15, 1969.

A preliminary survey shows that at least ten of the largest book manufacturing firms say that there is absolutely no way they physically can comply with

the subject regulation's requirements by October 1st. The demands for hiring and training from five to fifty people, for acquiring or developing adequate space (which means up to 30,000 sq. ft.) to do the required sorting, and to initiate the administrative procedures required to determine costs to be absorbed by publisher or other customer simply cannot be met in the time limits set by postal officials, who to our knowledge have not met with firms in our industry or visited installations to determine the effect of the regulation they now propose.

Although the general effect of the regulation is the same for publishers and manufacturers, there are several important differences which make phase I equally as disastrous as phase II for manufacturers. Manufacturers mail for many publishers and therefore cannot control the pre-sorting of labels for either identical or unidentical pieces as can a single publisher who warehouses and mails in his own operations (large publishers). Secondly, a manufacturer mailing for several publishers cannot fairly price a service that falls by accident on days when there are large mailings. These inequities are enhanced for the small manufacturer by the fact that he does not consistently have volume in excess of the 1,000 pieces subject to the regulation and therefore cannot automate or have a specific group of employees trained for this task. For all, a significant cost would be unpredictable in this industry that deals with a custom made product on which prices are set through bids prior to manufacture.

We solicit your consideration of the fact that, in its effect, the proposed regulation imposes arbitrary discrimination as to the cost of books as between publishers and even on the same book for the same publisher depending on whether or not the manufacturer happened to have over, or under, 1,000 pieces to be mailed on that day.

Again, although the impact on the large manufacturer is severe, the effect on the medium size and small plants may be disastrous for they cannot predict or guess whether any given book order may or may not be involved in a day's mailing that exceeds 1,000 books and, therefore, cannot adequately or fairly recover such costs. Obviously, this means that publishers and the public must all bear the weight of the costs, or the manufacturer must suffer a loss, or both. We cannot determine alternatives at this point.

All in all, it appears that the Post Office Department, in order to show an effort to decrease costs in an area not subject to public knowledge or concern, has proposed a regulation, without adequate meetings with, or personal study of the operations of, firms in the industry. The effect of the regulation is discriminatory and physically impossible for many firms to meet. The result can only be increased costs to the public and to education, wild confusion and errors in mailing for a long period of time during training, providing adequate space and establishing procedures, and legal problems involved with untangling responsibility for correct performance of a function, sorting, that would appear to be basic to the postal service.

We urge legislative action to prevent implementation of the proposed regulation pending complete study of these facts, plus other factors too numerous to cover in this communication.

BMI.

(The following listing of detached mail units and their staff complements was furnished the subcommittee for inclusion in the record by the Post Office Department.)

BOSTON REGION

AUGUST 23, 1968

1. Post Office : Clinton, Mass.
2. Location of DMU : 1 Green Street ; Colonial Press.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Foreman.....	8	1	-----	40
Regular clerk.....	5	1	5	165
Temporary indefinite clerk.....			4	75
Total.....		2	9	280

Note: Career, 7; temporary, 4; total, 11.

CINCINNATI REGION

AUGUST 23, 1968

1. Post Office : Indianapolis, Ind.
2. RCA Record Club.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent, DMU.....	8	1	-----	40
Foreman of mails.....	8	1	-----	40
Regular clerks.....	5	10	-----	400
Regular mail handlers.....	4	1	-----	40
Career substitute clerks.....	5	-----	4	160
Temporary substitute clerks.....	5	-----	12	360
Total.....		13	16	1,040

Note: Career, 17; temporary, 12; total, 29.

AUGUST 26, 1968

1. Post Office : Hammond, Ind.
2. Location of DMU : 601 Conkey Street, Rand-McNally.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent, DMU.....	8	1	-----	40
Special postal clerk.....	6	1	-----	40
Distribution clerk.....	5	4	-----	160
Temporary substitute mail handler.....	4	-----	30	1,260
Total.....		6	30	1,500

Note: Career, 6; temporary, 30; total, 36.

AUGUST 20, 1968

1. Post Office : Crawfordsville, Ind.
2. Location of DMU : Crawfordsville, Ind., R. R. Donnelly & Son Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	9	1	-----	40
Foreman, mails.....	8	2	-----	80
Transfer clerk.....	6	1	-----	40
Special postal clerk.....	6	2	-----	80
Regular clerk.....	5	14	-----	560
Career substitute clerk.....	5	-----	5	150
Temporary substitute clerk.....		-----	62	907
Total.....		20	67	1,857

Note: Career, 25; temporary, 62; total, 87.

AUGUST 16, 1968

1. Post Office : Terre Haute, Ind.
2. Location of DMU : 1400 No. Fruitridge, Columbia Record Club.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent, detached unit.....	9	1	-----	40
Assistant superintendent, detached unit.....	8	1	-----	40
Distribution clerk.....	5	10	-----	400
Total.....		12	-----	480

Note: Career, 12; temporary, none; total, 12.

CINCINNATI REGION—Continued

AUGUST 22, 1968

1. Post Office : Willard, Ohio.
2. Location of DMU : Mailer's Plant, R. R. Donnelly & Sons Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent DMU.....	8	1	-----	40
Special postal clerk.....	6	1	-----	40
Regular clerk.....	5	2	-----	80
Career substitute clerk.....	5	-----	5	120
Total.....		4	5	280

Note: Career, 9; temporary, 0; total, 9.

AUGUST 26, 1968

1. Post Office : Versailles, Ky.
2. Rand-McNally.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special postal clerk.....	6	1	-----	40
Temporary substitute clerk.....	5	-----	3	150
Total.....		1	3	195

Note: Career, 1; temporary, 3; total, 4.

AUGUST 26, 1968

1. Post Office : Florence, Ky.
2. Location of DMU : 7 Empire Drive, American Book Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Regular clerk.....	5	1	-----	40
Temporary substitute clerk.....	5	-----	2	80
Total.....		1	2	120

Note: Career, 1; temporary, 2; total, 3.

MEMPHIS REGION

AUGUST 27, 1968

1. Post Office : Kingsport, Tenn.
2. Location of DMU : At Company Plant, Kingsport Press.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Tour foreman.....	7	1	-----	40
Special postal clerk.....	6	1	-----	40
Distribution clerk.....	5	5	-----	200
Total.....		7	-----	280

Note: Career, 7; temporary, none; total, 7.

NEW YORK REGION

AUGUST 23, 1968

1. Post Office : Commack, N.Y. 11725.
2. Location of DMU : A-Betta Book Co., Commack, N.Y. 11725.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Regular clerk.....	5	-----	1	45
Substitute clerk (career).....	5	-----	2	-----
Total.....		0	3	45

Note: Career, 3; temporary, none; total, 3.

AUGUST 23, 1968

1. Post Office : Garden City, N.Y.
2. Location of DMU : Chestnut Street, Doubleday Plant, Garden City, N.Y.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Foreman.....	8	-----	1	12
Regular clerk.....	6	1	-----	40
Regular clerk.....	5	1	-----	52
Regular mail handler.....	4	1	4	88
Total.....		3	6	192

Note: Career, 9; temporary, 0; total, 9.

AUGUST 23, 1968

1. Post Office : Depew, N.Y. 14043.
2. Location of DMU : Industrial Park, Depew, N.Y. 14043, J. W. Clement.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Foreman, mails.....	7	1	-----	40
Distribution clerk, regular.....	5	2	-----	80
Distribution clerk, temporary.....	5	-----	1	40
Total.....		3	1	160

Note: Career, 3; temporary, 1; total, 4.

AUGUST 22, 1968

1. Post Office : Poughkeepsie, N.Y. 12601.
2. Location of DMU : No. Road, Poughkeepsie, N.Y., Western Printing & Lithographing Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special clerk.....	6	1	-----	40
Distribution clerk.....	5	2	-----	80
Distribution clerk career (substitute).....	5	-----	2	45
Total.....		3	2	165

Note: Career, 5; temporary, 0; total, 5.

NEW YORK REGION—Continued

AUGUST 26, 1968

1. Post Office : West Nyack, N.Y.
2. Location of DMU : West Nyack, Prentice Hall.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Distribution clerk.....	5	12	-----	480
Superintendent.....	8	1	-----	40
Total.....		13	-----	520

Note: Career, 13; temporary, none; total, 13.

AUGUST 26, 1968

1. Post Office : Brooklyn, N.Y.
2. Location of DMU : 147 41st Street, Columbia Records.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	7	1	-----	40
Mail handlers (career).....	4	3	7	304
Total.....		4	7	344

Note: Career, 11; temporary, none; total, 11.

ST. LOUIS REGION

AUGUST 26, 1968

1. Post Office : Ballwin, Mo.
2. Location of DMU : Mailer's Plant, McGraw Hill Publishing Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Regular clerks.....	5	2	0	80
Total.....		2	0	80

Note: Career, 2; temporary, 0; total, 2.

SAN FRANCISCO REGION

AUGUST 26, 1968

1. Post Office : Pleasanton, Calif.
2. Location of DMU : Pleasanton—Sunol Road, Schoolastic magazine.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Career-substitute clerk.....	5	2	-----	80
Postal assistant.....	4	-----	1	30
Total.....		2	1	110

Note: Career, 2; temporary, 1; total, 3.

SAN FRANCISCO REGION—Continued

AUGUST 26, 1968

1. Post Office: Novato, Calif.
2. Location of DMU: 8171 Redwood Highway, McGraw Hill Publishing Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special postal clerk.....	6	1	-----	40
Temporary substitute clerk.....	5	-----	1	15
Total.....		1	1	55

Note: Career, 1; temporary, 1; total, 2.

AUGUST 26, 1968

1. Post Office: Santa Maria, Calif.
2. Columbia Record Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Foreman, mails.....	7	1	-----	40
Regular clerk.....	5	3	-----	120
Career substitute clerk.....	5	-----	5	36
Total.....		4	5	196

Note: Career, 9; temporary, none; total, 9.

WASHINGTON REGION

AUGUST 22, 1968

1. Post Office: Westminster, Md.
2. Location of DMU: Westminster, Md., Random House, Inc.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special postal clerk.....	6	1	-----	40
Regular clerk.....	5	2	1	100
Career substitute clerk.....	5	-----	1	35
Total.....		3	2	175

Note: Career, 5; temporary, none; total, 5.

AUGUST 22, 1968

1. Post Office: Rockville, Md.
2. Location of DMU: Shady Grove Plant, Fawcett-Haynes Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special postal clerk.....	6	1	-----	40
Regular distribution and window clerk.....	5	5	-----	200
Career substitute clerk.....	5	-----	5	192
Total.....		6	5	432

Note: Career, 11; temporary, none; total, 11.

PHILADELPHIA REGION

AUGUST 16, 1968

1. Post Office : Pine Brook, N.J. 07580.
2. Location of DMU : Changebridge Road, Dell Publishing Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Temporary substitute clerks.....	5	2	-----	80
Temporary substitute mail handlers.....	4	2	-----	80
Total.....		4	-----	160

Note: Career, none; temporary, 4; total, 4.

AUGUST 19, 1968

1. Post Office : Paterson, N.J. 07510.
2. Location of DMU : Totowa, The Book Warehouse.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special clerk.....	6	1	-----	40
Regular clerk.....	5	1	-----	40
Total.....		2	-----	80

Note: Career, 2; temporary, none; total, 2.

AUGUST 29, 1968

1. Post Office : Northvale, N.J. 07647.
2. Location of DMU : Rockleigh, Allyn & Bacon Publishing Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special clerk.....	6	1	-----	40
Regular clerks.....	5	2	-----	80
Temporary substitute clerk.....	5	-----	1	20
Total.....		3	1	140

Note: Career, 3; temporary, 1; total, 4.

AUGUST 19, 1968

1. Post Office : Kearney, N.J. 07032.
2. Location of DMU : 234 Schuyler Avenue, Economy Bookbindery.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Foreman, mails.....	7	1	-----	40
Regular clerks.....	5	3	-----	120
Career substitute clerks.....	5	3	-----	120
Temporary substitute clerks.....	5	1	1	60
Total.....		8	1	340

Note: Career, 7; temporary, 2; total, 9.

PHILADELPHIA REGION—Continued

AUGUST 16, 1968

1. Post Office: Hightstown, N.J. 08520.
2. Location of DMU: Hightstown, McGraw Hill Book Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Foreman, mails.....	8	1	.....	40
Regular clerks.....	5	7	.....	280
Total.....		8	.....	320

Note: Career, 8; temporary, 0; total, 8.

AUGUST 15, 1968

1. Post Office: Englewood, N.J. 07632.
2. Location of DMU: Englewood Cliffs, Prentice-Hall, Inc.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	8	1	.....	40
Regular clerks.....	5	4	.....	160
Regular mail handlers.....	4	2	.....	80
Total.....		7	.....	280

Note: Career, 7; temporary, 0; total, 7.

AUGUST 20, 1968

1. Post Office: Clifton, N.J. 07015.
2. Location of DMU: Allwood Road, Holt, Rinehart & Winston.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	7	1	.....	40
Regular clerk.....	5	1	.....	40
Career substitute clerk.....	5	.....	1	32
Total.....		2	1	112

Note: Career, 3; temporary, none; total, 3.

AUGUST 16, 1968

1. Post Office: Bloomfield, N.J. 07003.
2. Location of DMU: 5 Lawrence Street, Associated Book Service.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	8	1	.....	40
Regular clerks.....	5	7	.....	280
Regular mailhandlers.....	4	2	.....	80
Total.....		10	.....	400

Note: Career, 10; temporary, none; total, 10.

PHILADELPHIA REGION—Continued

AUGUST 19, 1968

1. Post Office : Scranton, Pa.
2. Location of DMU : Haddon Annex, Haddon Craftown, Inc.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Foreman, mails.....	8	1	-----	40
Regular clerk.....	5	5	-----	200
Regular mail handler.....	4	3	-----	120
Total.....		9	-----	360

Note: Career, 9; temporary, none; total, 9.

AUGUST 19, 1968

1. Post Office : Scranton, Pa.
2. Location of DMU : Harper Annex, Harper-Row Publishers.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special clerks.....	6	1	-----	40
Regular mail handlers.....	4	1	-----	40
Total.....		2	-----	80

Note: Career, 2; temporary, none; total, 2.

AUGUST 15, 1968

1. Post Office : Englewood, N.J.
2. Location of DMU : Englewood Cliffs, N.J., Scholastics, Inc.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	7	1	-----	40
Regular clerks.....	5	6	-----	240
Group leader (MH).....	5	1	-----	40
Regular mail handler.....	4	4	-----	160
Total.....		12	-----	480

Note: Career, 12; temporary, 0; total, 12.

AUGUST 19, 1968

1. Post Office : Mechanicsburg, Pa.
2. Location of DMU : Mechanicsburg, Book of the Month Club, Inc.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Regular clerks.....	5	1	-----	40
Career substitute clerks.....	5	12	-----	480
Total.....		13	-----	520

Note: Career, 13; Temporary, 0; total, 13.

PHILADELPHIA REGION—Continued

AUGUST 19, 1968

1. Post Office: Hanover, Pa. 17331.
2. Location of DMU: Ridge Avenue, Doubleday & Co., Inc.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	10	1	-----	40
Foreman, mails.....	8	1	-----	40
Special clerks.....	6	2	-----	80
Regular clerks.....	5	39	2	1,610
Total.....		43	2	1,770

Note: Career, 45; temporary, none; total, 45.

AUGUST 19, 1968

1. Post Office: Wayne, N.J. 07470.
2. Location of DMU: Wayne, Wayne Warehousing Corp.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	7	1	-----	40
Regular clerks.....	5	2	-----	80
Career substitute clerks.....	5	-----	8	40
Total.....		3	8	160

Note: Career, 11; temporary, none; total, 11.

AUGUST 19, 1968

1. Post Office: Wayne, N.J. 07470.
2. Location of DMU: Wayne, American Bible Society.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	7	1	-----	40
Regular clerks.....	5	-----	1	20
Career substitute clerks.....	5	-----	6	49
Total.....		1	7	109

Note: Career, 8; temporary, none; total, 8.

AUGUST 19, 1968

1. Post Office: Rockaway, N.J. 07866.
2. Location of DMU: Green Paint & Rockaway, RCA Record Division.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	8	1	-----	40
Regular clerks.....	5	8	-----	294
Career substitute clerks.....	5	-----	4	74
Temporary substitute clerks.....	5	-----	5	60
Total.....		9	9	368

Note: Career, 13; temporary, 5; total, 18.

PHILADELPHIA REGION—Continued

AUGUST 19, 1968

1. Post Office : Rochelle Park, N.J. 07662.
2. Location of DMU : Saddle Brook, American Book-Stratford Press.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	9	1	-----	40
Foreman, mails.....	7	1	-----	40
Regular clerks.....	5	11	-----	440
Career substitute clerks.....	5	4	-----	160
Regular mail handlers.....	4	25	-----	1,000
Career substitute mail handlers.....	4	4	-----	160
Temporary substitute mail handlers.....	4	3	-----	120
Total.....		49	-----	1,960
Less absences.....			-----	240
Vacancies:			-----	
Regular mail handlers.....	4	1	-----	
Career substitute mail handlers.....	4	1	-----	
Total.....		51	-----	1,720

Note: Career, 48; temporary, 3; total, 51.

AUGUST 19, 1968

1. Post Office : Rochelle Park, N.J.
2. Location of DMU : Saddle Brook, N.J., Harcourt Brace & World, Inc.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Special postal clerk.....	6	1	-----	40
Regular clerks.....	5	3	-----	120
Total.....		4	-----	160

Note: Career, 4; temporary, none; total, 4.

AUGUST 16, 1968

1. Post Office : Riverside, N.J. 08075.
2. Location of DMU : Front and Brown Streets, Collier-MacMillen Co.

Position title	PFS level	Number of positions		Total work hours per week
		Full time	Part time	
Superintendent.....	9	1	-----	40
Regular clerks.....	5	9	2	402
Total.....		10	2	442

Note: Career, 12; temporary, none; total, 12.



