

ANNUAL REPORT OF THE POSTMASTER GENERAL

HEARING

BEFORE THE
INTERNATIONAL SECURITY, PROLIFERATION, AND
FEDERAL SERVICES SUBCOMMITTEE

OF THE
COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

—————
SEPTEMBER 16, 1999
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Printed for the use of the Committee on Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

61-702cc

WASHINGTON : 2000

For sale by the Superintendent of Documents, Congressional Sales Office
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THURSDAY, SEPTEMBER 16, 1999

U.S. SENATE
SUBCOMMITTEE ON INTERNATIONAL SECURITY,
PROLIFERATION, AND FEDERAL SERVICES,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:05 p.m. in room 628, Senate Dirksen Building, Hon. Thad Cochran (Chairman of the Subcommittee) presiding.

Present: Senators Cochran, Akaka, Levin, Stevens, and Domenici.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. The Subcommittee will please come to order.

I was apologizing to the Postmaster General on the condition of the weather outside. As a matter of fact, this morning, as I was preparing to come in to the Capitol, I thought about the inscription that is supposedly written on the General Post Office in the City of New York, and I couldn't remember it exactly. Neither could my wife, so we spent a little time doing some research.

For the general edification of those here, the quote is as follows: "Neither snow, nor rain, nor heat, nor gloom of night stays these couriers from the swift completion of their appointed rounds."

We further investigated the source of that, and it is Herodotus' history, volume number 8, and he is referring to the couriers of Xerxes. And for those of you who want to know who or what Xerxes might be, he was King or Emperor of Persia.

Now that we are all well grounded— [Laughter.]

In the subject of today's hearing, I want to welcome the distinguished Postmaster General of the United States, who is here today to deliver his annual report to the Congress.

When the Postal Reorganization Act of 1970 was passed, we converted, by that act, the Post Office Department from a Federal Government department, depending upon substantial subsidies from U.S. taxpayers, to an independently-managed U.S. Postal Service. Since that time it has become a very large and modern enterprise, with almost 800,000 employees and more than \$60 billion in annual revenues.

In May of last year, William J. Henderson was appointed to serve as U.S. Postmaster General, having served several years as the agency's Chief Operating Officer.

With the rapid development of technology, the question of what role the Postal Service will play in e-commerce has become the topic of much discussion within the Postal Service and the postal community. The Postal Service recently introduced a new website to assist businesses using Priority Mail to ship products ordered over the Internet, and last month the Postal Service introduced a new product called "PC Postage" which allows customers to print digital stamps from their personal computers.

It will be interesting to hear the Postmaster General bring us up to date on these and other developments in the Postal Service.

We welcome you, Mr. Postmaster General, and we look forward to your report.

Before hearing your report, I am going to yield now to our distinguished colleagues on the panel—first, if the distinguished Senator from Hawaii will permit me, to Senator Stevens, who is chairing the Appropriations Committee in a markup that meets in 10 minutes, for whatever comments he would make, and then to our distinguished Ranking Minority Member, Senator Akaka.

Senator Stevens.

OPENING STATEMENT OF SENATOR STEVENS

Senator STEVENS. Thank you very much, Mr. Chairman. Thank you, Senator Akaka.

Mr. Postmaster General, I have just told my colleagues that I think this is the 31st year that I have listened to this report, and it will be the first time that I will have left it before it is completed. I am sorry that we do have this conflict with the Appropriations Committee and the VA/HUD bill, which we have to get to this afternoon.

I ask unanimous consent that my statement appear in the record in full.

Senator COCHRAN. Without objection, so ordered.

[The prepared statement of Senator Stevens follows:]

PREPARED STATEMENT OF SENATOR STEVENS

Thank you Postmaster General Henderson for appearing before this Subcommittee today and for your comments about the progress of the Postal Service. I also want to thank you publicly for visiting Alaska this past March for the dedication of the Arctic Animal Stamps. I often say that our true friends are the ones who come to Alaska in the winter months.

The Postal Service is the lifeline of Alaska—many of my colleagues who have visited my home State witnessed this first-hand. The bypass mail system delivers food and other personal items at a fraction of the cost of regular freight. There are many remote areas who do not yet have access to the Internet and their television and radio reception is very limited. For the residents of those areas, the U.S. Mail is the most reliable form of communication.

I commend you for the Postal Service's recent arrangement in Alaska for the new fuel cell system at the Anchorage Mail Processing Center. As you know, the new fuel cell will be the primary source of power for the Anchorage facility—producing one megawatt of electricity—while producing virtually no pollution. This power system not only ensures the continued success of the Postal Service in Alaska, but it represents a form of power that could revolutionize cost-effective electricity throughout America.

Congratulations on your fifth straight fiscal year of positive net income and for your achievements in high delivery rates. However, I am concerned that while the Postal Service modernizes and improves the traditional mail system, it could miss out or fall behind in the e-revolution. I note your recent projections that increased use of the Internet for business traditionally done through the mail could cost you

nearly \$17 billion. I urge the Postal Service, through your leadership and direction, to fully embrace e-commerce and all of its capabilities so that the Postal Service remains strong in the new millennium. I note that the Postal Service has partially embraced e-commerce by allowing private companies to develop and sell postage over the Internet. I am eager to see the results of this technology as information is made available.

Last, I sit on the Special Committee on the Y2K problem and we receive regular reports on the progress of vital services with respect to the Y2K bug. You may recall that I asked you last year about the Postal Service's efforts in fixing this problem and would like to hear about your progress over the past year.

Thank you again for appearing today and for all that the Postal Service does in Alaska and throughout the United States.

Senator STEVENS. I think everyone should realize that this is the fifth straight fiscal year of positive income for the Postal Service, and on your watch it has gone up, so I congratulate you.

I will tell you, Mr. Chairman, and I often tell others, about the time Postmaster Bolger came to Alaska with me; he wanted to see what the winters were like, and I took him up to Prudhoe Bay. As he got off the plane, we had the bus right there so that he could get right on the bus, and we went over to the postal substation, which is what I think we had there at the time. As we opened up the door, there was a digital thermometer there, and it said minus 99. [Laughter.]

I never had the heart to tell him that that was as far down as it would go. [Laughter.]

It was a wind chill factor thermometer, and the wind chill was lower than 100 below. And that Post Office was open; that's my point. The Post Office does keep up with and match that motto today, and I think Mr. Henderson is an excellent example of a person who is really managing this Postal Service of ours very well.

You have some tremendous challenges now, with the Internet and the whole concept of the global economy, but I am proud to say that I think the Postal Service is staying ahead of the curve.

So thank you very much, and I look forward to reading your report, Bill.

Senator COCHRAN. Thank you very much, Senator Stevens.
Senator Akaka.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. I am pleased to join you in welcoming Postmaster General Henderson to our hearing. I met with Mr. Henderson earlier this year and came away from that discussion with a renewed appreciation of the U.S. Postal Service—not only for its accomplishments, but for the challenges it faces in the future.

We cannot escape the many news reports and articles on today's rapidly changing business climate. Not only has the Internet opened up a global marketplace for American products, but it has also created a growing need to deliver the packages generated by e-commerce. I know the Postal Service is thoroughly analyzing all aspects of its operations and management in order to remain a key player in this arena. Competing delivery systems, domestic and international, have also resulted in the review of products.

I understand that the need to develop new revenue sources while maintaining increased service levels is one of the reasons that the Postal Service supports the McHugh postal reform bill. Should

postal reform legislation be referred to the Senate, I hope our Subcommittee will have ample opportunity to review these issues.

On a more personal note, I would also like to express my continued strong support for a U.S. postage stamp to honor Duke Kahanamoku, a five-time Olympic medal winner, the father of modern surfing, and Hawaii's best-known citizen. Although Duke Kahanamoku passed away in 1968, his spirit continues to embody all Hawaii, and even part of the mainland. And I will tell you that if Senator Stevens were here he would certainly support me, because he is an avid surfer. [Laughter.]

A commemorative stamp celebrating the life of one of my State's most respected citizens will be welcomed not only by the people of Hawaii, but by sports enthusiasts worldwide. I supported this effort for a long time, and I appreciate knowing that a proposed stamp is under serious consideration by the Citizen Stamp Advisory Committee.

The time has come to honor the Duke, who holds a place unequal to any other person in surfing history, and whose Olympic skills are legend in Hawaii and in our country.

Like Senator Cochran, I look forward, Mr. Postmaster General, to your testimony, and your presence here is certainly welcome.

Senator COCHRAN. Postmaster General Henderson, you may proceed.

STATEMENT OF HON. WILLIAM J. HENDERSON, POSTMASTER GENERAL, U.S. POSTAL SERVICE

Mr. HENDERSON. Thank you, Mr. Chairman. Rather than read my testimony back to you—I know you have already reviewed it—I will just touch some of the highlights from a personal perspective about the Postal Service.

First let me thank you for sponsoring the Senate Resolution designating October as Stamp Collecting Month. That is a great hobby; it's a great family hobby, one of the largest hobbies in the world, and it does give national recognition to something that is very important. And as a result of your action, there have been resolutions passed all across this great Nation supporting stamp collecting, so I thank you for that.

The bottom line, the U.S. Postal Service is concluding another excellent year. We will have a net income this fiscal year, as we predicted, in spite of the fact that our revenues fell about \$700 million short of what we had planned. The revenue shortfall is, in essence, the result of, one, aggressive planning; and two, the impact of the sweepstakes issue on the country, the fact that people stopped responding to sweepstakes for a period of time, and that impacted our volume. Also, the rate increase has some impact on our volume. But in spite of that \$700 million, we are still going to reach our predicted net income.

The most interesting aspect about being in the Postal Service today is not only the competition it receives, but also the effect of the Internet and how that is changing the marketplace very rapidly. The Internet seems to be knocking profits out of commodities at a very rapid pace; therefore, when people look for shippers, they look for low-cost, high-quality shippers. And if you buy a CD from AMAZON.COM for \$6, you're not going to pay \$7 to have it deliv-

ered. So the Postal Service has benefited from its high quality and is taking advantage of the Internet, and I think it will prosper as long as it maintains low costs and high quality.

So we see a bright future for our organization, and we continue to be very aggressive in the marketplace, making sure that Americans have the kind of choice that the U.S. Postal Service represents, and that is high quality and low cost.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Henderson follows:]

PREPARED STATEMENT OF MR. HENDERSON

Mr. Chairman and Members of the Subcommittee, I welcome the opportunity to discuss the U.S. Postal Service with you today. I appreciate the time and energy you invest in oversight and helping us fulfill our mission to bind our Nation together by delivering to everyone, everywhere, every day.

Today, I want to talk with you about the performance of the Postal Service as we near the end of this century and our plans as we look forward to the next.

In 1999, the Postal Service has put the finishing touches on what has been a decade of progress.

When the decade opened, the Postal Service had just begun independently measuring First-Class Mail service performance in metropolitan areas. By 1992, when the first overnight results were announced, only two out of 86 locations broke 90 percent and the national score was just a notch above 84 percent.

Today, even though we have expanded our measurements to represent more than 80 percent of our First-Class delivery volumes, every single location in the contiguous United States is at 91 percent or better for local mail service. The national average stands at 94 percent or better for local mail service. The national average stands at 94 percent, tying our record high. Service for First-Class Mail with 2- and 3-day commitments is also our best ever.

When the decade began, we used to enter each holiday mailing season, our busiest time of the year, with only the most basic of preparations.

Today, we start the season with integrated, focused fall and holiday plans that we begin developing shortly after the last season has ended.

We now gather information on customer mailings well in advance, so that we have proper staffing and equipment on hand at our processing facilities. We have a national operations center to keep track of weather conditions, respond to customer concerns, and prevent bottlenecks in our system. We open additional transportation hubs and use dedicated air transportation to speed delivery of holiday gifts.

This season, new automated technologies will help us process record holiday volumes more efficiently than ever by reading and barcoding more than half of America's handwritten greeting cards.

At the start of the 1990's, the Postal Service had also requested a 5-cent increase in stamp prices, and customers were voicing concerns about price hikes that were consistently above the rate of inflation in the economy.

This January, we implemented our second straight increase below inflation. The rate change was our lowest ever, just a penny more for a First-Class stamp and 2.9 percent overall.

When the decade began, the Postal Service was routinely bleeding red ink and had rarely posted surpluses in consecutive years.

In 1999, even though we imposed a daunting management challenge upon ourselves by delaying our smallest ever rate increase by 7 months, we will end this fiscal year with our fifth straight positive net income, which has helped us significantly reduce prior negative equity. And we mastered the challenge of reducing costs by about \$700 million without eroding service performance. We are confident that we will continue that success in FY 2000, even though we will not raise rates as we had originally planned. By delaying the implementation of the rates and deferring our rate filing by a year, we in essence gave the American mailers a dividend of more than \$2 billion.

When the 1990's got underway, the automated processing of letter mail was in its infancy and just a fraction of letter mail was barcoded.

Today, after \$5 billion worth of investments, more than 88 percent of all letter mail currently carries a barcode, and 85 percent of our city carriers are receiving 60 percent of their mail sorted in delivery order each day. Robotics, sophisticated

handling and transport systems, and even automation for flats are being introduced into postal plants. Within the next several years, fully automated processing facilities and a computer-driven information platform will revolutionize the way we manage the mail and create an information-rich mail stream that will give postal managers and customers alike real-time performance information.

When the decade began, the Postal Service lacked a coordinated method of managing its entire operations. Today, we rely upon a Baldrige-based performance system to drive consistent improvement by focusing the energies and resources of this vast organization on common goals and targets.

The Postal Service is heading into the next century with the best performance, planning, technology, and management systems in our history. As always, we owe that success to the extraordinary effort of our managers, postmasters, supervisors, and craft employees.

At the same time, though, we enter the new millennium knowing full well that the most significant challenges in our history await us.

Tomorrow's marketplace will offer Americans more powerful and plentiful communications choices than ever before.

Private delivery carriers, already industry heavyweights, will continue their aggressive efforts to dominate their respective markets.

Newly privatized and deregulated foreign posts, hungry for revenues, will not only offer an increasing range of international services to American customers, but are also likely to begin creating delivery networks right here on U.S. soil.

The revolution in electronic communications may not be proceeding as fast as some have predicted, but no one questions its momentum. Today, nearly half of America's homes own a computer. More than a third have access to the Internet.

Already, powerful forces in the banking, telecommunications, and computer industries are scrambling to create networks for e-payments. As the speed, security, and convenience of these networks increase—and more and more consumers grow comfortable with logging on to pay their bills—these efforts will reach critical mass. The eventual result could be the erosion of our total revenues. We believe nearly \$17 billion is at risk.

The Postal Service cannot predict precisely when or to what extent these and other competitive pressures will take their toll on our bottom line in the coming century. But our extensive market research suggests that First-Class Mail volumes may actually decline over the next 5 years, although we will continue to work on increasing the value of that mail by keeping costs low and quality high.

But losing First-Class Mail is a real possibility—this factor, along with the rising costs associated with maintaining a national infrastructure of 38,000 facilities and a delivery network that grows by a million steps a year—means we can't sit still. We have to tap into new revenue streams as old ones begin to taper off if we expect to maintain affordable prices and continue our investments in better service.

That is why we have been so vocal over the past few years in calling for postal reform, and why we have worked closely with John McHugh in the House to develop a fair, meaningful reform bill. The legislation includes some tradeoffs, but on balance, we believe it provides pricing and product flexibilities we need to stay relevant and attractive to our customers.

That is also why—in addition to our many efforts to improve the value of the mail for our customers—we are already exploring ideas and developing innovative strategies for the future.

We believe, in fact, that we have a responsibility to the American people to ensure a healthy and meaningful postal system in the next century. What's at stake is not just the continuation of perhaps the most visible and personal of all Federal services, but the endurance of a delivery system that touches every American, helps bridge our vast distances and differences, and binds our Nation together.

The mail is an experience that we all share, and it is a powerful one. Most of us look forward to getting our mail each day. There are magazines and catalogs to browse. There are birthday presents and post cards from friends on vacation. There are bills, coupons, and offers galore.

Going to the mailbox is such a pervasive habit that one of the leading Internet companies has helped build their business on the slogan, "You've got mail."

Mail is a unique moment in our day, a moment at the mailbox, one that is happening in every home, in every community, every day.

In many ways, the mail has become the gateway to the household, a channel for commerce and communication that connects families and friends, governments and citizens, businesses and customers, publishers and readers, charities and sponsors.

Maintaining that connection in the next century, we believe, may well hinge on our ability to blend the trust, security, and ubiquity of hardcopy mail with the speed and capabilities of the electronic world.

Our strategies are just beginning to take shape, and our role vis-a-vis the private sector will have to be defined in concert with all of you and our many stakeholders and customers. Already, though, we see several areas of opportunity.

We will build on our strong Internet presence. Our public homepage is the most heavily trafficked government site, receiving about 3 million "hits" each month. Customers use this site to find ZIP Codes, calculate rates, buy stamps, track packages, and get other key postal information. We intend to use the speed and access of the Internet to offer customers information about their mail and access to our products and services.

As on-line purchases continue to explode, both businesses and consumers want prompt, reliable delivery, and easy access to a carrier who can handle returns. We want to be the carrier of choice for merchandise purchased on the Internet and the inevitable returns that result. We already have a universal business and residential presence. We are low-priced and we don't impose surcharges. Our carriers visit every address, everywhere, 6 days a week.

So, despite many challenges, the Postal Service sees the 21st Century as a great opportunity to build on our legacy of service to our Nation. During this past decade, we have worked hard to combine the efficiency and customer focus of private sector organizations with the public service focus of government. We look forward to working with this Subcommittee to assure that the American people can continue to rely on the Postal Service for high-quality, low-cost mail services.

Thank you, Mr. Chairman, that concludes my statement.

Senator COCHRAN. Thank you very much, Postmaster General.

You mentioned that you ended the year with a profit—a net income balance. I wonder, do you intend to use this profit to reduce the cost of postage?

Mr. HENDERSON. We will do that in real terms because we extend the rate increase—the rate increase which was planned to go in this year, or early in the year 2000, we are now trying to postpone that rate increase until the year 2001. And as you will recall, we also extended the rate increase from June of last year; we didn't implement it until January. So we are, in effect, giving back our net income, as much as we can, to our customers.

Senator COCHRAN. These increases that you have planned for the future are going to have some effect on mail volumes, won't they? Will they negatively affect mail volumes? Will there be other ramifications of future rate increases, as well?

Mr. HENDERSON. Well, rate increases generally negatively affect volume, and customers are demanding more and more for less. And so that puts huge pressure on the Postal Service to both generate revenue and to control its costs, for which we have massive efforts under way right now.

Senator COCHRAN. I know a lot of this is affected by the rate of inflation. As prices and costs to the Postal Service go up, those costs have to be passed on to mailers and the users of the Postal Service. Some mailers, such as those who use the mail for advertising, have expressed concern to me that their rates may go up faster than inflation in this next round of increases.

What's the outlook for price increases in the next rate case, and what is the Postal Service doing to control its costs and thereby reduce the need for large rate increases?

Mr. HENDERSON. Well, we've taken several billion dollars in costs out of the organization. I think it is evident to our customers that you can see that in both our monthly and our quarterly expense reports.

We agree that it is imperative that we keep rates as low as possible, and certainly, Standard A is very sensitive. Advertising mail

is very sensitive to rate increases. We certainly are trying to keep the rate of increase as low as possible.

Senator COCHRAN. In my opening comments I mentioned the fact that there have been some obvious changes in technology that have affected the future role of the Postal Service. For example, as I understand it, there is a good deal of discussion within the Postal Service about e-commerce and how to take advantage of these new technologies to improve the way the Postal Service provides its customers with what they want and what they need.

You recently introduced a new website, for example, to assist businesses using Priority Mail to ship products ordered over the Internet, and last month you introduced a new product called PC Postage which allows customers to print digital stamps from their personal computers.

Could you tell us more about the specifics of this and how it's being received in the marketplace?

Mr. HENDERSON. It is probably—short of a new Postmaster General being announced, it's probably the most publicity we've received over any one event in the 28 years I have been in the Postal Service. It has been very well received. There are two companies that went commercial August 9, STAMPS.COM and E-STAMPS. They essentially provide postage off your PC. Each postage imprint is unique, so it can't be counterfeited, and it's just a way for us to create ease of use for our customers. We're trying to use the Internet; it is a new channel, and we're trying to make postal services available on that new channel, and PC postage is one of the obvious ones. It should eventually save us money, depending on how many customers adopt it, but it has been received in the marketplace with real enthusiasm.

There are two more companies coming behind E-STAMPS and STAMPS.COM; that's Neopost, which is a French company, and Pitney-Bowes, both of whom are in the developmental stages.

So we see a real proliferation of PC postage.

Senator COCHRAN. Senator Akaka.

Senator AKAKA. Thank you, Mr. Chairman.

My question is along environmental issues. As a member of both the Energy and Governmental Affairs Committees, I am naturally interested in the lead that the Postal Service has taken in its efforts to protect the environment.

I know the Postal Service has received numerous environmental awards in recognition of its energy conservation, pollution prevention, and recycling programs. The Postal Service, as the Nation's largest civilian employer, is well positioned to continue its role as a leader in alternative energy and fuel use, and I applaud the Postal Service on its leadership in this arena.

Could you describe some of the Postal Service's efforts in conserving energy and the benefits that the Postal Service has gained from its efforts?

Mr. HENDERSON. Well, the U.S. Postal Service has saved millions of dollars in its very, very aggressive environmental and conservation efforts. We use energy-efficient lights; we have an active recycling program that saves millions of dollars; and just last month, we ordered 500 electric vehicles. I think we are the leader in that area. Also in alternate fuel vehicles we are the leader.

So we are very proud of that program. At one point, when I was the Chief Operating Officer, I told the then-Postmaster General that the head of our environmental efforts got more publicity than he did, because every time I turned around they were giving our environmental program an award. Charlie Bravo at that time was heading it up; Charlie has moved on to some other things, but just for the record, he did an outstanding job.

Senator AKAKA. I was interested to hear about your new “green” postal facility in Fort Worth, Texas. Could you provide more information on the new facility and whether there are more “green” facilities in the works?

Mr. HENDERSON. Yes, I will. In fact, I went to the ribbon-cutting in Fort Worth, Texas, at that facility, where we have straw in the walls, and it has an R-factor of some phenomenally high number for energy conservation. It is a one-of-a-kind, and I will be happy to provide you all the background information.¹

Senator AKAKA. Recently the Postal Service implemented a new system involving fuel cells for generating power at its Anchorage mail processing and distribution facility. This system is virtually pollution-free and requires little maintenance. What are the expected benefits from this system? And will this technology be expanded to other postal facilities throughout the country?

Mr. HENDERSON. Yes, that is an experiment. The fuel cell is much like a battery that generates energy and hot water from a chemical reaction. It saves several thousand kilowatts over traditional energy sources. It provides our plant and distribution center with energy. If, for example, the grid went down in Anchorage, our plant would still operate. The energy which it generates beyond what is needed is turned back into the Chugash Electric Grid, so it does help out the local community. We are very interested in seeing how this operates over a period of time.

Senator AKAKA. From time to time I receive complaints from residents in some of the rural areas of Hawaii expressing dissatisfaction with the quality of postal service at contract stations. What criteria is used to establish a contract station, verses a U.S. Postal Service facility? And what oversight exists once a contract station is set up?

Mr. HENDERSON. In Hawaii, as in other places, we have very strict criteria, much similar to establishment of a Post Office. In your case, Ed Broglio, who is the District Manager in Hawaii, is directly responsible for that, and I will be happy to relay those complaints to him, and I’m sure that he will jump right on it.

Senator AKAKA. Mr. Chairman, I have other questions, but I will come back to them.

Senator COCHRAN. Thank you, Senator.
Senator Domenici.

OPENING STATEMENT OF SENATOR DOMENICI

Senator DOMENICI. Well, thank you very much, Mr. Chairman.

I have not had occasion to question you or meet with you since you took your new job, and I want to commend you and congratulate you. Obviously, the Postal Service is doing very well. The reve-

¹The brochure entitled “The First Green Post Office,” appears in the Appendix on page 21.

nues the Postal Service is generating mean that the subsidies don't have to go up as they have in the past, because you've been very innovative.

But I would like to say, in reading your statement, I think you do analyze the problem in future years correctly. The only thing is, I read in it that you said, "Even if the new modes of communication are not growing as rapidly as we thought"—from what I read, they are growing more rapidly in some areas than we ever imagined, and they are all more or less competitors in some sense.

So I know you are very concerned about it from the standpoint of getting a good analysis and seeing where the Postal Service will stand under that kind of competition. But I guess I would just like to ask you, what do you go through in an effort to analyze just what will happen—whose brains are you picking? And what kind of people are giving you advice as to where things are going and whether first class mail, which is your staple, will be what it is today 15 years from now in terms of demand by Americans?

Mr. HENDERSON. Well, we talk to a cross-spectrum of people, in addition to having our own market research folks. For example, I meet with CEOs around the country, folks like Lou Gershner at IBM, Jeff Bezos at AMAZON.COM; we pick their brains about where—in Mr. Gershner's case, where technology is going, and in Jeff Bezos' case, how he is going to use the Internet in the future, what's he going to do with it.

The most vulnerable mail in the U.S. Postal Service are bills and payments, which account for about \$15 billion. But on the other hand, as I mentioned in my opening statement, the Postal Service is in a unique position for e-commerce, because the Internet has squashed the profits out of products; and as profits get squashed out, people look for low-cost delivery outfits. I use the example that if you pay \$6 for a CD at AMAZON.COM, you're not going to pay \$7 to have it delivered. I mean, it just doesn't make any sense.

So we sit there at \$3.25 with Priority Mail and a unique package, and we become AMAZON.COM's shipper of choice because of our price and our quality.

So there are pluses and minuses. Personally, I don't think anybody has a handle on where all of this is going. I think it changes so rapidly. And to the credit of this country, it is so inventive and so innovative that the landscape almost changes weekly, so that from *Business Week* to *Time Magazine*, you read a new angle. So we grope with it as best we can, and we look for every opportunity, whether it's PC Postage or being the shipper of choice for packages. We're looking at it from every angle, as everybody else is.

Senator DOMENICI. Well, I'm pleased that you are, and I think it's very important.

Just one parochial issue. In my home State and home city of Albuquerque, you have many facilities, but the main one is a very old one, located on Broadway and Central Avenue. I have heard concerns from some who patronize the place, some who work there, some who try to manage things there, that maybe it's in need of replacement because of its age, and lack of current technological sophistication for current needs.

I wonder if you would mind having somebody take a look and give me some kind of a report as to its status, in your opinion?

Mr. HENDERSON. Absolutely.¹

Senator DOMENICI. Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator Domenici, for your contribution to the hearing and the work of this Subcommittee.

Senator Levin has joined us. Senator, you are recognized for any comments or questions you may have.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Mr. Chairman, thank you. Welcome, Mr. Henderson.

Mr. Postmaster General, you are very familiar with our sweepstakes effort in this Subcommittee. We passed a bill recently—I think it was a unanimous vote in the Senate—which is aimed at, among other things, giving more authority to the Postal Service to stop deceptive mailings, and the Postal Service has worked closely with us on that legislation.

I would like you to comment on that, why you view it as being important, whether you think it goes far enough, does it give you the tools that you need?

Mr. HENDERSON. The answer to whether it goes far enough is, we think it does. We think it is a very good piece of legislation.

The practices in the industry were hurting the industry. In my opening statement, I said sweepstakes response rates had fallen anywhere from 20 to 40 percent, so the whole industry was hurt by the deception. I think it was a very responsible act to bring some health back to that industry. It hurt our volume; our net volume was hurt this year because the American public were really put out over deceptive mailings, and I think the legislation was a key answer.

Senator LEVIN. One of the issues that has come up relative to the sweepstakes is the question of postal subsidies for nonprofit organizations. I understand that basically, on sweepstakes from a profit organization, you do not lose money on that mailing; that mass mailing is not a money loser for you, there is no subsidy involved in it—

Mr. HENDERSON. Right.

Senator LEVIN [continuing]. And you might even make a little money on it.

But some of the promotions by some of the nonprofits use some of the same deceptive practices that we've seen in the profit-making organizations. Some of the techniques that we object to from some of the big sweepstakes companies are problems, whether they are used by them or whether they are used by a nonprofit organization. The difference is that where a nonprofit organization uses a sweepstakes which is deceptive, at that point we are subsidizing that because there's a subsidy for nonprofits in our Postal Service.

My question is this. If a nonprofit organization which has been given a subsidized postal rate is found to have engaged in a deceptive practice, can they lose that subsidy? Is that one of the remedies you can apply?

¹The letter from Mr. Henderson to Senator Domenici with information about the Albuquerque facility project appears in the Appendix on page 23.

Mr. HENDERSON. I'm not sure. I don't know. I can provide that answer to you.

I do know that nonprofits that engage in commercial activities—and this is a technical thing—can lose their nonprofit status, and we would certainly not be supportive of any deceptive mailing by anyone.

Senator LEVIN. In terms of my question, would you answer that one for the record?

Mr. HENDERSON. Yes, I will. Sure.

THE INFORMATION SUBMITTED BY MR. HENDERSON FOR SENATOR LEVIN FOLLOWS:

An organization is eligible to mail at the Nonprofit Standard Mail rates if it is not organized for profit and none of its net income accrues to the benefit of any private stockholder or individual. Revocation of a nonprofit mailer's eligibility to mail at Nonprofit Standard Mail rates is based upon the determination that the organization is not qualified to mail at the Nonprofit Standard Mail rates in accordance with the regulations in Domestic Mail Manual, Section E670. Attached is that section of the "*Domestic Mail Manual*"¹ that applies to eligibility for and revocation of an authorization to mail at the Nonprofit Standard Mail rates.

Senator LEVIN. You and I have had some correspondence about semi-postal stamps where the buyer pays more than the cost of a first class mailing, and the increment above that cost goes to a particular cause. For instance, we did it with breast cancer research. The Postal Service issued that. There were many of us who thought it was a mistake; I was one of them that did, and voted against it, because I thought that it gets us into an area where the Postal Service, by its own regulations or advice—its own criteria—had decided it would not go anymore. Your stamp subject selection criteria specifically says that semi-postals shall not be issued; that was your criteria. It seems to me it was right because there are so many valuable causes. As it was said in this criteria as the reason for it, there is such a vast number of worthy fundraising organizations in existence that it would be difficult to single out specific ones to receive such revenue.

Now, we recently had a bill that came through our Committee which would provide a semi-postal, with the proceeds going, apparently, to a nonprofit organization, which I think is also perhaps unique, called "Operation Lifesaver." I'm sure it's an extremely good organization, but that's not the issue. I don't know whether we've ever had public funds going to a nonprofit that way through a semi-postal, whether it's ever been used in that way.

But putting that issue aside, no matter how worthy an organization it might be, you wrote me a letter urging us not to proceed with any additional semi-postal stamps, including the "Look, Listen, and Live" Stamp Act, S. 712, until the sales period of the breast cancer research stamp has expired and the GAO has completed its audit.

I wonder whether you would give us the reasons for why you feel that we should hold off on any additional semi-postal stamps being authorized until we can see what the audit of the breast cancer research stamp looks like?

¹The information entitled "Domestic Mail Manual," section E670, supplied for the record appears in the Appendix on page 24.

Mr. HENDERSON. When the breast cancer semi-postal was introduced, it was introduced for a period of time, in which case there would be some look-back to see how successful it was, both from an intent to generate money, and from a postal obligation to administer production, distribution and sales. I think it's just prudent to wait, since breast cancer research was the first semi-postal, to wait and do the work on the semi-postal before we issue additional ones.

Senator LEVIN. Mr. Chairman, I would ask that the letter from Mr. Henderson to me be included in the record at this point.

Senator COCHRAN. Without objection, it is so ordered.

[The referenced letter follows:]

UNITED STATES POSTAL SERVICE
Washington, DC 20260, June 15, 1999.

HONORABLE CARL LEVIN
United States Senate
Washington, DC 20510.

DEAR SENATOR LEVIN: This is in response to your May 11 letter concerning information regarding the breast cancer research semi-postal stamp.

As you know, on August 13, 1997, the President signed into law the Stamp Out Breast Cancer Act that mandated the Postal Service to issue within 12 months a special first-class postage stamp with a differential, not to exceed 25 percent or 8 cents. On July 29, 1998, the stamp was issued and will be available to the public for 2 years. The Act provides that before the end of the 2-year period, the General Accounting Office will perform an audit on the Breast Cancer Research Stamp operation.

The Postal Service historically believed that as America already has a philanthropic tradition unmatched by other nations, semi-postals would be perceived as yet another solicitation and a public intrusion in an area where private initiative and generosity have had very beneficial results. We also believed that were the Postal Service to issue semi-postal stamps, either we or the Congress would be placed in the very difficult position of determining which organizations should be funded and which should not.

However, as the Congress expressed itself so strongly on this issue, the Postal Service has enthusiastically embraced the breast cancer semi-postal stamp. To ensure the success of stamp sales, the Postal Service developed a comprehensive advertising and promotions plan to support the national launch of the Breast Cancer Research Stamp. The promotional initiatives include post office sales kits, television/radio interviews, a video news release featuring First Day of Issue ceremony, postal communications to all our employees, and press kits to major media and health organizations. To date, over 92 million of the breast cancer semi-postal stamps have been sold.

While the Postal Service has developed guidelines for tracking costs, we have not yet fully defined which incremental costs associated with the stamp will be offset against revenue. We have, however, issued payments to the National Institute of Health and Department of Defense, as intended by the law, totaling over \$6.9 million, after expenses.

With regard to S. 712, the Stop, Listen and Live Stamp Act, introduced by Senator Lott, the Postal Service would prefer that no additional semi-postal stamps be authorized until the sales period of the Breast Cancer Research Stamp has expired and GAO has completed its audit. We are concerned that a competing semi-postal stamp would have a negative effect on sales and ultimate success of the Breast Cancer Research Stamp. We believe the success and cost of the stamp should be fully evaluated before another semi-postal stamp is authorized in order to determine the value this type of stamp brings to charitable fundraising.

Thank you for the opportunity to clarify our position on this issue. If I may be of assistance in other postal matters, please let me know.

Sincerely,

WILLIAM J. HENDERSON

Senator LEVIN. And finally, I wonder if you would go back into the semi-postal issuances historically and provide for the record

whether or not there has been an occasion where the incremental amount—for instance, \$0.07, I think, in breast cancer research—has ever gone to a non-governmental entity, whether we have ever turned over that funding that is raised to a private entity, or whether we'd be setting an example with S. 712? If you know now, you could please tell us; if not, you could tell us for the record.

Mr. HENDERSON. There has never been a semi-postal of that nature, and the breast cancer stamp was the first semi-postal. So we don't have any experience in the past with these sorts of things. That's why we wanted to do a full review of the breast cancer issuance.

Senator LEVIN. Where did the extra money go for that breast cancer research?

Mr. HENDERSON. It went to the Department of Defense and NIH.

Senator LEVIN. You said we've never issued a semi-postal?

Mr. HENDERSON. I don't believe so.

Senator LEVIN. In the history of the country?

Mr. HENDERSON. It's the first one ever.

Senator LEVIN. Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

Mr. Henderson, what is the status of the Postal Service's efforts to prepare for the year 2000? We understand that you have undertaken to deal with this, and we wonder what you can tell us about the status of the Postal Service's preparations for providing mail delivery services after the beginning of the new year.

Mr. HENDERSON. Well, we've had an extensive effort, as you might imagine. We have 100 million lines of code in the Postal Service, and of those, we have identified 137 systems as mission-critical, and we have created over 700 contingency plans, and we've had a full dress rehearsal in which the systems all worked. We think the Postal Service is well prepared for Y2K. We even have a notion of an advertising program that when all else fails, you can always put it in the mail.

Senator COCHRAN. I know that you have tried to identify a number of the major challenges that the Postal Service faces going into the next decade, as well as the next millennium. Can you tell us anything about the priorities that you have set to help meet these major challenges?

Mr. HENDERSON. Sure. I think that the first and foremost challenge that the Postal Service faces internally is to maintain a strong vigilance on its costs. The key to being a high-quality, low-cost provider is the key to being in the marketplace in the new millennium.

I also think that the Postal Service needs to look thoroughly at the Internet to see what opportunities it provides Americans from the Postal Service, such as PC Postage, ease of use, our website, that you can get Priority Mail. And I also think that the Postal Service needs to look at new opportunities for revenue—as, for example, facilitating bill payments, areas like that.

But we see a very strong future for the U.S. Postal Service. We, in fact, are the only organization that goes to every house every day around the same time each day. So as people disaggregate and begin to have offices that are only connected by PCs, we've become

a vital link in connecting the physical merchandise to these households.

Senator COCHRAN. As you have probably noticed, the bells have sounded for a vote over on the Senate Floor, and my colleagues have all deserted me. [Laughter.]

I don't want to be the only Member of the Subcommittee to miss the vote, so I am going to suspend the hearing at this point, go over and make this vote, and come right back, if you will indulge us for just a little.

Mr. HENDERSON. Sure.

Senator COCHRAN. The Subcommittee will stand in recess.

[Recess.]

Senator COCHRAN. If the Subcommittee will come to order, we will resume our hearing.

One of the areas of interest in the annual report you have submitted is the international mail area and the competition that is developing, with the Postal Service actually losing volume in some areas of the mail market internationally. How do you intend to improve upon your competitive relationship in the international market for Postal Service delivery and increase your international mail volume?

Mr. HENDERSON. I think the answer to that lies in the answer to many of the other issues, and that is to provide a low-cost, high-quality product. As a tactical matter, we have partnered with people like DHL to provide consistency in transportation, and in some instances, delivery. We have also partnered with private posts, such as Japanese Post, and we have maintained strict quality control between the two posts.

But competition is fierce internationally, not just from the U.S.-based competitors but also from the foreign posts. You know, foreign posts are coming to the United States. Germany has an organization, Deutsche Post USA. The British have offices in New York, Chicago, and California. The Dutch Post is here. So there is a globalization of activity of postal administrations around the world.

One of the principal drivers for our volume drop-off this year is that the bulk of international mail had been letter mail, and electronic diversion clearly has impacted that significantly. The other is the fact that our focus had been on Asia, especially with partners like L.L. Bean in Japan, and the "Asian flu," if you will, the Asian economy created a problem for us. But we expect to come back. We will be in the game.

Senator COCHRAN. Recently there has been some controversy over the proposed amendments that you have developed to regulations regarding commercial mail receiving agents, or CMRAs as they are called. These regulations govern mail that is delivered by the Postal Service to private businesses that rent out mail boxes to customers.

As I understand it, the proposed amendments were intended to protect consumers from mail fraud, primarily by requiring the boxholders to provide additional information and to list the address as a private mailbox. But boxholders and small business owners have raised concerns to us about the impact that these new requirements may have.

What has the Postal Service done to address these concerns?

Mr. HENDERSON. Well, customers had concerns about their stationery, so we extended the period of time to comply so that customers would have ample time to change the stationery. That was their big issue.

The PMB, or private mailbox, was another concern. If you use a post office box, you have to say, "Post Office Box 152." On the private mailboxes, folks were using addresses like "Suite 16," and then the address of the PMB. A lot of fraud was being perpetrated. Law enforcement actually got together with the U.S. Postal Inspectors and said, "We really need to remedy this. We need to protect the receiver of the mail." So we are just requiring CMRA customers to show that they are a private mailbox, that's all, so that as a consumer you won't think that you are doing business with this "suite" in some building.

Senator COCHRAN. Senator, I have a couple more questions to wrap up the hearing, but I am prepared to yield to you for any further questions you might have at this point.

Senator AKAKA. I thank you. I have a few more questions too, Mr. Chairman.

Postmaster General, you have touched on one of the areas frequently mentioned as a major challenge for the Postal Service, and that is labor management relations. How are these relations now? And what efforts are planned or needed to develop an effective partnership between management and employees, management associations, and labor unions?

Mr. HENDERSON. I think the biggest success in labor management relations in the last year has been the agreements with the American Postal Workers Union and the Mail Handlers Union. We are currently in negotiations with the National Rural Letter Carriers Association.

The biggest disappointment in labor management relations was the inability to reach an agreement with the NALC, which is now in arbitration in its final days. Labor management relations remain for me a top priority, but it's a huge challenge. I think that part of the challenge is that the parties have to learn to work together to resolve problems and not rely on a third party, and I think the blame for that lies both within management and within the unions, and we are—at the leadership of the unions and management—trying to do something about that.

Senator AKAKA. Over the years, employee violence has been a major concern within the Postal Service. What ongoing efforts are being undertaken by the Postal Service to address the problem of violence?

Mr. HENDERSON. Well, we have an independent study being done on violence, headed by Joe Califano, and it has other distinguished members, like Doug Frazier from the Auto Workers, and we expect that report to be concluded in June.

In addition, we have threat assessment teams all over the United States that react to any potential threat. We have an extensive employee assistance program that is a model for the public and the private sector, and we have employed activities, strategies like that—and we think we've made progress in communication between employees, which is really important. If it gets hostile, we intervene.

It is, though, a tough issue. It's not one where there is a simple formula. Violence in America, as you well know, is a tough problem to solve.

Senator AKAKA. It seems as if the employee assistance program has been successful in its efforts to combat workplace violence, and that program is supported by postal employee unions. I have been informed that \$2.7 million will be cut.

What percentage of the program's total budget does this represent?

Mr. HENDERSON. I couldn't tell you off the top of my head, but I will be happy to tell you for the record.

Senator AKAKA. All right. Certainly, we will want that information. How will these cuts affect the program?

Mr. HENDERSON. Well, it is my recollection that about 30 to 40 counselors would be reduced. That's what I recall. But we don't take that as a lack of support for the program. We do house-cleaning now; we've said that we're not going on a diet, we're changing our lifestyle. We're having to do more with less in every aspect of the Postal Service. That's just a part of cost containment.

So while the employee assistance program gets a little reduction, so does every other department.

Senator AKAKA. Thank you. You answered the other part of my question which was going to be the reason for the cuts.

In October 1997, a study on postal workforce diversity was released that made recommendations intended to help the Postal Service address diversity issues and concerns. In response to the study, the Postal Service developed initiatives that were generally designed to help strengthen the diversity program.

What progress has the Postal Service made in implementing these initiatives?

Mr. HENDERSON. There were 23 recommendations, and a task force chaired by the Chief Operating Officer and the Chief Financial Officer. We have implemented all of the recommendations.

Senator AKAKA. How do the Postal Service's recruitment and hiring practices help ensure that it has a diverse workforce? And what improvements have recently been made in this area?

Mr. HENDERSON. We have proactive recruitments in communities, in minority communities. We list job postings. We talk to minority organizations about opportunities in the Postal Service, and we've been very successful with this.

Senator AKAKA. Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

I know that other Senators who are Members of the Subcommittee may also have questions to submit for answers that will be included in the hearing record, and we hope you will be able to respond to those in a timely fashion.²

I have only one concluding question.

We were in debate last year on the subject of post office closings and relocations, and some Senators wanted to write into the law some requirements for the Postal Service to follow in such situations. As you may remember, there were new regulations that the

²The questions and answers from Senators Collins, Lieberman, and Cleland for Mr. Henderson appear in the Appendix on pages 36-41 respectively.

Postal Service came up with for notifying communities about changes in their Postal Service buildings.

Can you tell us how these are working and whether there is any need for Federal legislation on this subject, in your opinion?

Mr. HENDERSON. In my opinion there is no need for Federal legislation, certainly no process that would require all of the issues in the community to be adjudicated in Washington. It would put our capital improvement effort into gridlock nationwide.

We have issued new rules requiring very active, proactive community involvement. Essentially, we want to be a friend to the community. We don't want to put post offices where the community doesn't want them. But at the same time, we can't be held hostage by one individual in the community. We have a policy of working with the community; for example, taking post offices out of downtown areas—we don't ordinarily do that. We leave a retail section; we may separate the plant from the retail section. So we stress very much to our field officials that we want to be a positive part of the community. We do not want to be an issue in the community, and I think we've had success in that regard.

Senator COCHRAN. I want to ask a parochial question. I went to a postal facility to buy a Federal duck stamp last year, and there was a big, long line at this postal facility. It was one of those bad, rainy early-fall days that we have in the south, and it seems like that's when everybody wants to go to the post office, and we all went at once. There must have been about 20 people standing in line. There were four or five windows at this facility, but there was only one window open and one person standing there, it seemed to me, very casually interested in serving the public. Of course, I didn't run up and say, "I'm a United States Senator and I'm here to buy my duck stamp" or anything like that. As a matter of fact, I tried to be as in disguise as I possibly could because they might all hold me responsible for this clerk's very negligent, I thought, and carefree attitude about the situation. [Laughter.]

I hear complaints like this, and I've personally experienced that one, and I just thought I would bring it to your attention. What are you doing about that?

Mr. HENDERSON. Well, we have a national policy—obviously it wasn't followed in your case—of customers waiting in line less than 5 minutes, and obviously we have a range of management skills in the field. I think this Postmaster needs a little personal counseling. If you will give me the name off the record, I assure you that you won't stand in line the next time you walk into that post office. [Laughter.]

Senator COCHRAN. Well, I'm not interested in it so much for myself, but I know the general public runs into that from time to time. I hear about it and I'm sure other Members of the Senate occasionally hear about the same thing. Senator Akaka brought up the contract situation in his State.

But these are the day-to-day problems that I think a lot of Americans are concerned about. Being interested and showing that you are interested in serving the consuming public in a polite and efficient way, that would really go a long way, I think, toward improving the image of the Postal Service and improving the way Ameri-

cans are able to use the Postal Service facilities throughout the country.

I know that's the goal, and I hope you can lend a little energy to the effort to instill that attitude into Postal Service workers nationwide, most of whom I am sure are very courteous and efficient. But there are some who are not. I hope that we can get them other work of some kind.

Mr. HENDERSON. Maybe in another organization.

Senator COCHRAN. Maybe in another part of the building. I don't know. Or another job description.

Well, you have been very good to be patient with our questions and give us this interesting and helpful report on the status of the Postal Service. We appreciate the good work that you have done in this job up until now. I am very impressed with the energy and experience that you have brought to the job, and I commend you for the effort that you are putting into it.

Mr. HENDERSON. Thank you, Mr. Chairman.

Senator COCHRAN. Senator Akaka.

Senator AKAKA. Yes. I would like to add my applause to what you are doing, Postmaster General, and tell you that I personally know that you are managing the people in the Pacific, and they do a great job for you and our country. We look forward to the great leadership that you give to the Postal Service. To know that we're in the black and doing pretty well and that we are meeting the challenges that are ahead—I feel good about that, and I want to thank you so much for what you are doing.

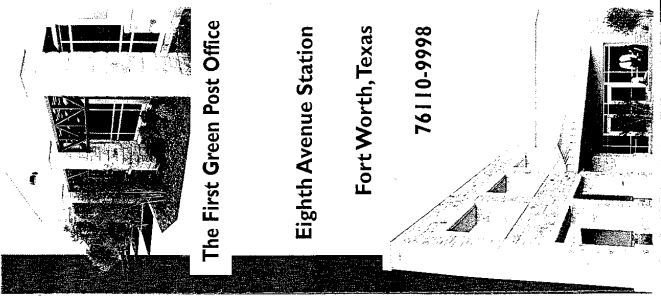
Mr. HENDERSON. Thank you.

Senator COCHRAN. Thank you.

The hearing is adjourned.

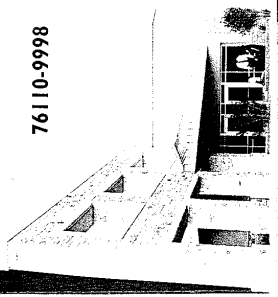
[Whereupon, at 3:08 p.m., the Subcommittee was adjourned, to reconvene at the call of the Chair.]

APPENDIX



The First Green Post Office

Eighth Avenue Station
Fort Worth, Texas
76110-9998



Examples of Postal Service environmental stewardship in Texas include:

- Clean Texas 2000 member
- Vice President Gore's Hammer Award and the White House Closing the Circle Award for Affirmative Procurement.
- The White House Closing the Circle Award for partnership with Texas A&M University to convert undeliverable mail into compost.
- Clean Texas 2000 award for alternative fuel vehicles (AFV) (LPG, compressed natural gas vehicles in Texas).
- Solar-powered post office in El Paso.

**UNITED STATES
 POSTAL SERVICE**

We appreciate your business and support of our environmental programs!

For more information visit us online at www.usps.com/enviro/

Printed using soy based ink on paper that contains 20% post-consumer fibers.

TEXAS ENVIRONMENTAL LEADERSHIP

The Postal Service is committed to being a good environmental neighbor in every community we serve. We have developed comprehensive environmental programs nationwide that focus on energy conservation, pollution, waste reduction, energy savings and transportation efficiency.

Our Policy for Environmental Protection states:

"The United States Postal Service is committed to providing employees and customers with a safe and healthy environment. Environmental protection is a top priority in everything we do, and meets or exceeds best business practices."

The Postal Service has the nation's largest alternative fuel vehicle fleet with more than 7,500 vehicles. Nearly 1000 of these vehicles are in the Dallas-Fort Worth area. We are the largest fleet of alternative fuel vehicles in the oil and gas industry. The use of hazardous chemicals targeted by the Environmental Protection Agency has been greatly reduced or eliminated. More than one million tons of newspaper, cardboard, plastics, cans and other materials are recycled each year. Many stamps, retail products and philatelic products contain recycled materials, and our engineering research department is continuously developing more recycled products.

The Postal Service also supports the "Greening the Government" Executive Order. These presidential directives facilitate the incorporation of sound environmental practices into our business practices. "Green" buildings are just one example of our environmental stewardship.

The Postal Service is a member of the President's Council on Sustainable Development and actively participates in The White House Climate Change Task Force. The Postal Service is committed to the goal of "bringing people together to meet the needs of the present without jeopardizing the future."

POSTAL SERVICE ENVIRONMENTAL LEADERSHIP

What is a "Green" Building?

A "Green Building" is a common term for a structure built with ecologically superior products or systems. It is one component of sustainable development with the goal of meeting the needs of the present without jeopardizing the future.

The Postal Service is taking a progressive and methodical approach to "greening" postal facilities. At the core of the "greening" program are two elements:

- increasing energy efficiency
- improving environmental responsiveness (resource efficiency and raw material usage)

Why Are We Constructing "Green" Buildings?

The Postal Service has one of the largest construction programs in the nation. The Postal Service occupies 35,000 facilities and constructs 500-700 new facilities annually. By constructing "green" buildings, the Postal Service has the opportunity to protect our environment, and set the standard for others to follow.

The Green Building program is important to the Postal Service because it demonstrates our commitment to environmental leadership and compliance. Many green building features have excellent returns on investment, especially when life-cycle costs are considered. This program enables us to make sound business decisions while demonstrating our environmental commitment to our employees, our customers and the communities we serve.

This and other green showcase projects being designed and constructed across the country by the Postal Service will "push the envelope" and test ecologically superior materials and systems for viability, cost, availability, performance and aesthetics. The results of these projects are being tracked and successful initiatives are being recycled into our national Design Standards program. In addition to these showcase projects, the Postal Service has incorporated many "green" strategies in the design standards, which are the basis of all construction projects.

Components and Environmental Benefits of the Eighth Avenue Station

Recycling

Many materials used in the building's construction contain recycled content:

- Building foundation contains 20% recycled concrete
- Much contains recycled cellulose and yard scraps
- Structural reinforcing is recycled steel
- Ceiling tiles contain recycled cellulose
- Toller partitions contain 50% recycled plastic
- Dock bumpers contain recycled tires

- Occupancy sensors are installed in areas with intermittent use
- High efficiency heating, ventilation, and air conditioning (HVAC) system is used with pressurized vestibules and positive pressure of building
- Direct digital control system with sub-metering allows for monitoring energy use

Indoor Air Quality

Construction of this facility took into account the health of customers and employees:

- Linoleum flooring utilizes alternative agricultural products
- Epoxy compound for concrete is low in volatile organic compounds (VOCs)
- Bonding adhesive and seam sealers are low in VOCs
- Hook and loop carpet system replaces adhesive installations containing VOCs
- Adhesives for ceramic tile and linoleum flooring are low in VOCs
- Artificial lighting uses full spectrum for reduced eye strain and glare
- Ventilation system prevents moisture related indoor air quality problems

Energy Efficiency

This building was designed to conserve energy, while maintaining employee and customer comfort:

- Exterior ceramic coating system reflects heat
- Trellis and natural vegetation shade western exposure in summer
- Low-emissivity glazing on windows
- Natural lighting is supplemented by energy efficiency fluorescent lighting with automatic dimming controls

Other Environmental Features

Landscaping

Native Texas plants used at the facility are drought tolerant and pest resistant.

Microclimate

Reflective materials and plants help regulate the thermal comfort of the building.

CNG Fueling Station

Postal vehicles are powered by compressed natural gas, a clean and energy efficient fuel.

Rainwater Harvest

Rainwater that falls on this site is used instead of municipal water for irrigation.

Exterior Envelope

Exterior wall panels are compressed straw, an alternative agricultural product.

Millwork and Cabinets

These features use alternative agricultural products and environmentally friendly materials.

Sustainably Harvested Wood

The exterior signposts are made from wood from well-managed forests.

WILLIAM J. HENDERSON
POSTMASTER GENERAL, CEO



October 26, 1999

Honorable Pete V. Domenici
United States Senate
Washington, DC 20510-3101

Dear Senator Domenici:

This is in response to your September 21 letter, further expressing your interest in a project to replace the Main Post Office/Processing and Distribution Center (P&DC) facility at 1135 Broadway, in Albuquerque.

I truly appreciate your kind words of support for me at this critical juncture in the Postal Service's history. I also recognize your strong interest in this Albuquerque facility project.

The Postal Service agrees that space at the current Albuquerque P&DC facility is inadequate to fulfill the needs of its employees and customers. To remedy this, Western Area officials are planning to relocate processing and distribution to a new, separate facility. They are also planning a renovation of the current facility to house postal retail services, carriers, and the Albuquerque District administrative office.

Facilities officials are currently reviewing contending sites for the new P&DC. Once a site is tentatively selected, we must further follow our facility project guidelines and receive Board of Governors approval before site purchase and construction award. The construction time for this facility is expected to be 12-18 months. Our Facilities representative is meeting with city and county executives to be sure that every consideration is given to the community's views regarding its location.

Finally, the renovation of the current facility is expected to be accomplished within a year after the completion of the new P&DC facility.

Thank you for voicing your interest in this project. If I can be of future assistance on this or other postal matters, please do not hesitate to let me know.

Sincerely,

/S/

William J. Henderson

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-0010
202-268-2500
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E600 Standard Mail

E670 Nonprofit Standard Mail

1.0 BASIC STANDARDS

- Organization Eligibility** 1.1 Only organizations that meet the standards in 2.0 or 3.0 and that have received specific authorization from the USPS may mail eligible matter at any Nonprofit Standard Mail rate, including Nonprofit Enhanced Carrier Route rates.
- Separate Authorizations** 1.2 Except for mailings deposited under the plant-verified drop shipment postage payment system (see P750), a separate authorization is required at each post office where Nonprofit Standard Mail rate mailings are deposited.
- Discounts** 1.3 Pieces mailed at the Nonprofit Standard Mail rates must meet the standards in E611 and E612 and the corresponding standards for any other discount or rate claimed.
- ### 2.0 QUALIFIED NONPROFIT ORGANIZATIONS
- General** 2.1 An organization described in 2.3 through 2.10 may be authorized to mail at the Nonprofit Standard Mail rates if it is not organized for profit and none of its net income accrues to the benefit of any private stockholder or individual.
- Primary Purpose** 2.2 The standard of *primary purpose* used in the definitions in 2.3 through 2.10 requires that the organization be both organized and operated for the primary purpose. Organizations that incidentally engage in qualifying activities do not meet the primary purpose test.
- Religious** 2.3 A *religious organization* is a nonprofit organization whose primary purpose is to:
- Conduct religious worship (e.g., churches, synagogues, temples, or mosques);
 - Support the religious activities of nonprofit organizations whose primary purpose is to conduct religious worship; or
 - Further the teaching of particular religious faiths or tenets, including religious instruction and the dissemination of religious information.
- Educational** 2.4 An *educational organization* is a nonprofit organization whose primary purpose is the instruction or training of individuals for improving or developing their capabilities or the instruction of the public on subjects beneficial to the community. An organization may be educational even though it advocates a particular position or viewpoint, as long as it presents a sufficiently full and fair exposition of the pertinent facts to permit the formation of an independent opinion or conclusion. Conversely, an organization is not considered educational if its principal function is the mere presentation of unsupported opinion. These are examples of educational organizations:
- An organization (e.g., a primary or secondary school, a college, or a professional or trade school) that has a regularly scheduled curriculum, a regular faculty, and a regularly enrolled body of students in attendance at a place where educational activities are regularly carried on.
 - An organization whose activities consist of presenting public discussion groups, forums, panels, lectures, or similar programs, including on radio or television.
 - An organization that presents a course of instruction by correspondence or through the use of television or radio.

10-06-96

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- d. Museums, zoos, planetariums, symphony orchestras, and similar organizations.

- Scientific**
2.5 A *scientific organization* is a nonprofit organization whose primary purpose is to conduct research in the applied, pure, or natural sciences or to disseminate technical information dealing with the applied, pure, or natural sciences.
- Philanthropic (Charitable)**
2.6 A *philanthropic (charitable) organization* is a nonprofit organization organized and operated to benefit the public. Examples include those that are organized to relieve the poor, distressed, or underprivileged; to advance religion, education, or science; to erect or maintain public buildings, monuments, or works; to lessen the burdens of Government; or to promote social welfare for any of the above purposes or to lessen neighborhood tensions, eliminate prejudice and discrimination, defend human and civil rights secured by law, or combat community deterioration and juvenile delinquency. That an organization organized and operated to relieve indigent persons may receive voluntary contributions from those persons does not necessarily make it ineligible for Nonprofit Standard Mail rates as a philanthropic organization. That an organization, in carrying out its primary purpose, advocates social or civic changes or presents ideas on controversial issues to influence public opinion and sentiment to accept its views, does not necessarily make it ineligible for Nonprofit Standard Mail rates as a philanthropic organization.
- Agricultural**
2.7 An *agricultural organization* is a nonprofit organization whose primary purpose is the betterment of the conditions of those engaged in agricultural pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in agriculture; or the collection and dissemination of information or materials about agriculture. The organization may further and advance agricultural interests through educational activities; by holding agricultural fairs; by collecting and disseminating information about cultivation of the soil and its fruits or the harvesting of marine resources; by rearing, feeding, and managing livestock, poultry, bees, etc.; or by other activities related to agricultural interests.
- Labor**
2.8 A *labor organization* is a nonprofit organization whose primary purpose is the betterment of the conditions of workers. Labor organizations include, but are not limited to, organizations in which employees or workers participate, whose primary purpose is to deal with employers on grievances, labor disputes, wages, hours of employment, working conditions, etc. (e.g., labor unions and employee associations).
- Veterans**
2.9 A *veterans' organization* is a nonprofit organization of veterans of the armed services of the United States, or an auxiliary unit or society of, or a trust or foundation for, any such post or organization.
- Fraternal**
2.10 A *fraternal organization* is a nonprofit organization whose primary purpose is fostering fellowship and mutual benefits among its members. For this standard, a qualified fraternal organization must also be organized under a lodge or chapter system with a representative form of government; must follow a ritualistic format; and must be composed of members elected to membership by vote of the members. Qualifying fraternal organizations include the Masons, Knights of Columbus, Elks, and college fraternities or sororities, and may have members of either or both sexes. Fraternal organizations do not encompass such organizations as business leagues, professional associations, civic associations, or social clubs.



3.0 QUALIFIED POLITICAL COMMITTEES AND STATE OR LOCAL VOTING REGISTRATION OFFICIAL

Political Committees These political committees may be authorized to mail at the Nonprofit Standard Mail rates without regard to their nonprofit status:

- 3.1
- a. A national committee of a political party.
 - b. A state committee of a political party.
 - c. The Democratic Congressional Campaign Committee.
 - d. The Democratic Senatorial Campaign Committee.
 - e. The National Republican Congressional Committee.
 - f. The National Republican Senatorial Committee.

Definitions For the standards in 3.1:

- 3.2
- a. A *national committee* is the organization that, by virtue of the bylaws of a political party, is responsible for the day-to-day operations of such political party at the national level.
 - b. A *state committee* is the organization that, by virtue of the bylaws of a political party, is responsible for the day-to-day operation of such political party at the state level.

Voting Registration Official Voting registration officials in a state or the District of Columbia are authorized to mail certain Standard Mail (A) materials at the Nonprofit Standard Mail rates under the National Voter Registration Act of 1993 (see 5.9).

3.3

4.0 INELIGIBLE ORGANIZATIONS

Private These and similar organizations do not qualify for the Nonprofit Standard Mail rates, even if organized on a nonprofit basis:

- 4.1
- a. Automobile clubs.
 - b. Business leagues.
 - c. Chambers of commerce.
 - d. Citizens' and civic improvement associations.
 - e. Individuals.
 - f. Mutual insurance associations.
 - g. Political organizations (other than those specified in 3.0).
 - h. Service clubs (e.g., Civitan, Kiwanis, Lions, Optimist, and Rotary).
 - i. Social and hobby clubs.
 - j. Associations of rural electric cooperatives.
 - k. Trade associations.

Government State, county, and municipal governments are generally not eligible for the Nonprofit Standard Mail rates. However, a separate and distinct state, county, or municipal governmental organization that meets the criteria for any one of the specific categories in 2.0 may be eligible, notwithstanding its governmental status.

5.0 ELIGIBLE AND INELIGIBLE MATTER

Organization's Own Mail An organization authorized to mail at the Nonprofit Standard Mail rates may mail only its own matter at those rates. An authorized organization may not delegate or lend the use of its authorization to mail at the Nonprofit Standard Mail rates to any other person or organization.

5.1



- Ineligible Matter**
5.2 No person or organization may mail, or cause to be mailed by contractual agreement or otherwise, any ineligible matter at the Nonprofit Standard Mail rates.
- Cooperative Mailing**
5.3 A cooperative mailing may be made at the Nonprofit Standard Mail rates only when each of the cooperating organizations is individually authorized to mail at the Nonprofit Standard Mail rates at the post office where the mailing is deposited. A cooperative mailing involving the mailing of any matter on behalf of or produced for an organization not itself authorized to mail at the Nonprofit Standard Mail rates at the post office where the mailing is deposited must be paid at the applicable Regular or Enhanced Carrier Route Standard Mail rates. The mailer may appeal the decision under G020.
- Prohibitions and Restrictions**
5.4 Nonprofit Standard Mail rates may not be used for the entry of material that advertises, promotes, offers, or, for a fee or consideration, recommends, describes, or announces the availability of:
- a. Any credit, debit, or charge card or similar financial instrument or account, provided by or through an arrangement with any person or organization not authorized to mail at the Nonprofit Standard Mail rates at the entry post office.
 - b. Any insurance policy, unless the organization promoting the purchase of such policy is authorized to mail at the Nonprofit Standard Mail rates at the entry post office; the policy is designed for and primarily promoted to the members, donors, supporters, or beneficiaries of that organization; and the coverage provided by the policy is not generally otherwise commercially available as explained in 5.5.
 - c. Any travel arrangement, unless the organization promoting the arrangement is authorized to mail at the Nonprofit Standard Mail rates at the entry post office; the travel contributes substantially (aside from the cultivation of members, donors, or supporters, or the acquisition of income or funds) to one or more of the purposes that constitute the basis for the organization's authorization to mail at the Nonprofit Standard Mail rates; and the arrangement is designed for and primarily promoted to the members, donors, supporters, or beneficiaries of that organization.
 - d. Any other product or service unless one of these exceptions is met:
 - (1) The sale of the product or the provision of such service is substantially related to the exercise or performance by the organization of one or more of the purposes used by the organization to qualify for mailing at the Nonprofit Standard Mail rates. The criteria in 5.6 are used to determine whether an advertisement, promotion, or offer for a product or service is for a substantially related product or service and, therefore, mailable at the Nonprofit Standard Mail rates.
 - (2) The product or service is advertised in Standard Mail (A) material meeting the prescribed content requirements for a periodical publication. The criteria in 5.8 are used to determine whether the Standard Mail (A) material meets the content requirements for a periodical publication.
- Definitions, Insurance**
5.5 For the standard in 5.4b:
- a. The term *not generally otherwise commercially available* applies to the actual coverage stated in an insurance policy, without regard to the amount of the premiums, the underwriting practices, and the financial condition of the insurer. When comparisons are made with other policies, consideration is given to policy coverage benefits, limitations, and exclusions, and to the



availability of coverage to the targeted category of recipients. When insurance policy coverages are compared for determining whether coverage in a policy offered by an organization is not generally otherwise commercially available, the comparison is based on the specific characteristics of the recipients of the piece (e.g., geographic location or demographic characteristics).

- b. The types of insurance considered generally commercially available include, but are not limited to, homeowner's, property, casualty, marine, professional liability (including malpractice), travel, health, life, airplane, automobile, truck, motorhome, motorbike, motorcycle, boat, accidental death, accidental dismemberment, Medicare supplement (medigap), catastrophic care, nursing home, and hospital indemnity insurance.

**Definitions,
Substantially
Related
Advertising
Products**
5.6

For the standards in 5.4d:

- a. To be substantially related, the sale of the product or the provision of the service must contribute importantly to the accomplishment of one or more of the qualifying purposes of the organization. This means that the sale of the product or providing of the service must be directly related to accomplishing one or more of the purposes on which the organization's authorization to mail at the Nonprofit Standard Mail rates is based. The sale of the product or providing of the service must have a causal relationship to the achievement of the exempt purposes (other than through the production of income) of the authorized organization. (Income produced from selling an advertised product or providing a service does not make such action a substantially related activity, even if the income will be used to accomplish the purpose or purposes of the authorized organization.)
- b. Standards established by the Internal Revenue Service (IRS) and the courts with respect to 26 USC 513(a) and (c) of the Internal Revenue Code are used to determine whether the sale or providing of an advertised product or service, whether sold or offered by the organization or by another party, is substantially related to the qualifying purposes of an organization. (Advertisements in Standard Mail (A) material that meets the content requirements for a periodical publication need not meet the substantially related standard to be mailable at the Nonprofit Standard Mail rates. See 5.4d(2) and 5.8.)
- (1) If the advertising material is for a product or service that is not substantially related, it is not mailable at the Nonprofit Standard Mail rates.
 - (2) If an organization pays unrelated business income tax on the profits from the sale of a product or the providing of a service, that activity is by IRS definition not substantially related. The fact that an organization does not pay such tax, however, does not establish that the activity is substantially related because other criteria may exempt the organization from payment. The inclusion of an advertisement for a product or service in a mailpiece may disqualify the piece for Nonprofit Standard Mail rates, even if the mailer does not pay unrelated business income tax on its sale.
 - (3) Third-party paid advertisements may be included in material mailed at the Nonprofit Standard Mail rates if the products or services advertised are substantially related to one or more of the purposes for which the organization is authorized to mail at Nonprofit Standard Mail rates. However, if the material contains one or more advertisements that are

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not substantially related, the material is not eligible for the Nonprofit Standard Mail rates, unless it is part of material that meets the content requirements described in 5.8 and is not disqualified from using the Nonprofit Standard Mail rates under another provision.

- c. Announcements of activities, e.g., bake sale, car wash, charity auction, oratorical contest, are considered substantially related if substantially all the work is conducted by the members or supporters of an authorized organization without compensation.
- d. Advertisements for products and services, including products and services offered as prizes or premiums, are considered substantially related if the products and services are received by an authorized organization as gifts or contributions.
- e. An advertisement, promotion, offer, or subscription order form for a periodical publication meeting the eligibility criteria in E211 and published by one of the types of nonprofit organizations listed in 2.0 is mailable at the Nonprofit Standard Mail rates.

Other Matter
5.7 An authorized nonprofit organization's material is not disqualified from being mailed at the Nonprofit Standard Mail rates solely because that material contains, but is not primarily devoted to:

- a. Acknowledgments of organizations or individuals who have made donations to the authorized organization.
- b. References to and a response card or other instructions for making inquiries about services or benefits available from membership in the authorized organization, if advertising, promotional, or application materials for such services or benefits are not included.

**Periodical
Publication
Content
Requirements**
5.8 Advertisements for products and services in material that meets the content requirements for a periodical publication are mailable at the Nonprofit Standard Mail rates. The material mailed must meet these standards:

- a. Have a title. The title must be printed on the front cover page in a style and size of type that make it distinguishable from other information on the front cover page.
- b. Be formed of printed sheets. (It may not be reproduced by stencil, mimeograph, or hectograph. Reproduction by any other process is permitted.) Any style of type may be used.
- c. Contain an identification statement on one of the first five pages of the publication that includes these elements:
 - (1) Title.
 - (2) Issue date. The date may be omitted if it is on the front cover or cover page.
 - (3) Statement of frequency showing when issues are to be published (daily; weekly; monthly; monthly except June; four times a year in June, August, September, and December; annually; irregularly, etc.).
 - (4) Name and address of the authorized organization, including street number, street name, and ZIP+4 or 5-digit ZIP Code. The street number and street name are optional if there is no letter carrier service.
 - (5) Issue number. Every issue of each publication is numbered consecutively in a series that may not be broken by assigning numbers to issues omitted. The issue number may be printed on the front or cover page instead of in the identification statement.



- (6) International Standard Serial Number (ISSN), if applicable.
- (7) Subscription price, if applicable.
- d. Consist of at least 25% nonadvertising matter in each issue. Advertising is defined in E211.

Political Mailings 5.9 A qualifying political committee under 3.0 may mail election-related materials, such as candidate endorsements, at the Nonprofit Standard Mail rates if the materials are exclusively of the qualifying political committee. Political mailings may not be made at the Nonprofit Standard Mail rates when a political candidate or anyone else not authorized to mail at the Nonprofit Standard Mail rates assists the qualifying political committee with the preparation or mailing of such materials, or pays any of the costs of preparation or mailing, or provides any consideration to the qualifying political committee in return for the mailing being made. The following are examples of political mailings that would not qualify for mailing at the Nonprofit Standard Mail rates:

- a. A mailing containing material identified as having been paid for by the campaign committee or treasurer of an individual candidate.
- b. A mailing containing circulars, flyers, brochures, or other printed matter prepared or printed by a political candidate or his or her campaign organization.
- c. A mailing on which the postage is paid for by a political candidate or his or her campaign organization.
- d. A mailing made on behalf of a candidate in return for a contribution to the qualifying political committee.

Products Available at Nonprofit Standard Mail Rates 5.10 The following products are available at Nonprofit Standard Mail rates:

- a. Low-cost items within the meaning of 26 USC 513(h)(2), Internal Revenue Code. At the beginning of each calendar year, the value of low-cost items is adjusted for cost of living. Effective January 1, 1996, the standard established that the cost of such items may not exceed \$6.75. This cost is the cost to the authorized organization that mails the items or on whose behalf the items are mailed.
- b. Items donated or contributed to the qualified organization. Such items do not have to meet the definition of a low-cost item as described in 5.10a.
- c. A periodical publication (as defined in E211) of a nonprofit organization unless it is ineligible under 5.0 to be mailed at the Nonprofit Standard Mail rates.

Voting Registration Official 5.11 The voting registration official may mail, at the Nonprofit Standard Mail rates, only qualifying Standard Mail (A) matter that is required or authorized to be mailed at those rates by the National Voter Registration Act of 1993.

Evidence 5.12 On request, an organization authorized to mail at the Nonprofit Standard Mail rates must provide evidence to the USPS, or cause evidence held by another party to be provided to the USPS, about the eligibility of any of its mail matter or mailings to be sent at those rates. Any failure to provide evidence needed for a ruling on the eligibility of matter to be sent at the Nonprofit Standard Mail rates, or to cause such evidence to be provided, is sufficient basis for a finding that the matter is not eligible for the Nonprofit Standard Mail rates, as well as for the revocation of the organization's authorization to mail at the Nonprofit Standard Mail rates.

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**6.0 IDENTIFICATION**

All matter mailed at the Nonprofit Standard Mail rates must identify the authorized nonprofit organization. The name and return address of the authorized nonprofit organization must be either on the outside of the mailpiece or in a prominent location on the material being mailed. Pseudonyms or bogus names of persons or organizations may not be used. If the piece bears any name and return address, it must be that of the authorized nonprofit organization. A well-recognized alternative designation (e.g., "The March of Dimes") or abbreviation (e.g., "AFL-CIO") may be used rather than the full organization name.

7.0 AUTHORIZATION—ORIGINAL APPLICATION

Filing Except for mailings deposited under the plant-verified drop shipment postage payment system (see P750), Form 3624 must be filed by the organization at each post office where it wants to deposit mailings at the Nonprofit Standard Mail rates. The applicant must show on Form 3624 the qualifying category of organization under which it seeks authorization.

Fee No fee is charged for filing Form 3624.

Qualified Nonprofit Organizations Form 3624 must be accompanied by evidence that the applicant meets the standards of a qualifying category in 2.0 and that the organization is nonprofit (e.g., a certificate of exemption from federal income tax). *An exemption from the payment of federal income tax is not required to qualify for the Nonprofit Standard Mail rates. Such exemption is considered as evidence of qualification for preferred postal rates, but is not the controlling factor in the decision. When an organization submits proof that it is granted federal income tax exemption under 26 USC 501(c)(3), as a religious, educational, scientific, or philanthropic (charitable) organization; under 501(c)(5) as an agricultural or labor organization; under 501(c)(8) as a fraternal organization; or under 501(c)(19) as a veterans' organization, it is considered as qualifying for the Nonprofit Standard Mail rates, unless other evidence discloses some disqualification.*

Political Committees Form 3624 filed by an organization seeking authorization as a qualified political committee must include evidence that the applicant meets the standards of one of the qualifying categories of political committees in 3.0; evidence of nonprofit status is not required.

8.0 AUTHORIZATION—AT ADDITIONAL OFFICES

Application Organizations authorized to mail at the Nonprofit Standard Mail rates at one post office may obtain authorization to mail at those rates at an additional post office. An official of the organization (not its agent) must file Form 3623 at the requested additional mailing office. The evidence of qualification required to accompany Form 3624 is not required when filing Form 3623.

Fee No fee is charged for filing Form 3623.

Application Letter Form 3623 must be accompanied by a letter from the organization on its official letterhead, signed by an official of the organization, stating the name of the organization and that it is requesting authorization to mail at the Nonprofit Standard Mail rates of postage at an additional office.



- Organization Name** 8.4 If the organization name on Form 3623 is different from the one on USPS records, the applicant must revise the organization's original application to reflect a name change by providing evidence that the organization name was officially changed (e.g., an official amendment to the organization's Articles of Incorporation stating the former name and the new name and a letter issued by the Internal Revenue Service recognizing the name change).
- Permits and Authorizations** 8.5 Authorization by Form 3623 does not relieve the mailer's obligation to obtain mailing permits and pay the required fees for mailing at bulk rates, and such authorization does not permit an organization to obtain an authorization for another separate legal entity.
- Retaining Additional Authorization** 8.6 To retain an additional authorization granted under 8.0, an organization must make at least one mailing at that office during any 2-year period and maintain the original authorization on which it is based. If the original authorization is revoked for any reason, including nonuse, the additional office authorization is also revoked.
- 9.0 MAILING WHILE APPLICATION PENDING**
- Approval** 9.1 An organization may not mail at the Nonprofit Standard Mail rates at a post office before the corresponding Form 3624 or Form 3623 is approved.
- Postage Record** 9.2 While an application is pending, postage must be paid at the applicable First-Class Mail or Regular or Enhanced Carrier Route Standard Mail (A) rates. The USPS records the difference between postage paid at the regular bulk Standard Mail (A) rates and the postage that would have been paid at the Nonprofit Standard Mail rates. No record is kept if postage is paid at First-Class Mail or single-piece Standard Mail (A) rates.
- Refund** 9.3 If an authorization to mail at Nonprofit Standard Mail rates is issued, the mailer may be refunded the postage paid at that office in excess of the Nonprofit Standard Mail rate since the effective date of the authorization. No refund is made:
- If the application is denied and no appeal is filed.
 - If postage was paid at First-Class Mail or single-piece Standard Mail (A) rates.
 - For the period before the effective date of the authorization.
 - For mailings made at a post office at which a separate application was not filed.
- Effective Date** 9.4 The effective date of the Nonprofit Standard Mail rate authorization is the date of the application or the date of the organization's eligibility, whichever is later.
- Pending Status** 9.5 The mailer may continue to mail in a pending status until a final decision is reached on an appeal of a denied application.
- 10.0 RULING ON APPLICATION**
- Additional Information** 10.1 The RCSC manager or designee may request additional information or evidence to support or clarify the application. Failure to provide the information is sufficient reason to deny an application.
- Rulings** 10.2 The RCSC manager rules on Form 3624 and Form 3623 applications and notifies the applicant directly.



- Appealing a Denial** 10.3 If the application is denied, the applicant may submit a written appeal to the postmaster where the application was filed within 15 days of the applicant's receipt of the decision. After reviewing the file, if the RCSC manager still believes that the organization does not qualify, the appeal is forwarded to the Business Mail Acceptance manager, USPS Headquarters, who issues the final agency decision.
- 11.0 REVOCATION**
- USPS Review** 11.1 The RCSC manager may initiate at any time a review of any organization authorized to mail at the Nonprofit Standard Mail rates. The RCSC may ask an organization for information or evidence to determine whether the organization is still qualified. Failure to provide this information is sufficient cause for revocation.
- Revocation for Cause** 11.2 If it is found that authorization has been given to an organization that was not qualified at the time of application or later became unqualified, the RCSC notifies the organization of the proposed revocation and the reasons for it.
- Appeal** 11.3 Revocation takes effect 15 days from the organization's receipt of the notice, unless the organization files a written appeal within that time through the RCSC with the Business Mail Acceptance manager, USPS Headquarters. The manager may ask the organization for more information or evidence to determine the organization's eligibility. Failure to provide this information is sufficient grounds for denial of the appeal. The manager issues a written appeal decision directly to the organization.
- Nonuse** 11.4 The RCSC revokes an authorization to mail at the Nonprofit Standard Mail rates if no Nonprofit Standard Mail rate mailings are made by the authorized organization during a 2-year period. The RCSC notifies the organization of the revocation for nonuse.

**Follow up Questions from Senator Daniel K. Akaka
Re: Annual Report of the Postmaster General**

- 1) I had indicated my interest in knowing more about the criteria used by the Postal Service in determining when to establish a contract postal station. I would like to know how the decision is reached to open a contract station versus a full-fledged U.S. Postal Service facility. I would also be interested in learning how the Postal Service exercises oversight of a contract station once one is established, and what is done to ensure that consumer concerns relating to a contract station are fully reviewed.

Are there different types of contract stations, and do the levels of service provided by the contract stations vary?

The United States Postal Service has over 27,000 post offices, 5,000 stations and branches, and 4,000 contract postal units (CPUs) that serve our customers. As growth occurs, and our customers can no longer be adequately served by any of these locations, a station or branch or CPU is often established to meet the need under an existing postmaster. When new incorporated towns are established, an independent post office may be established.

CPUs include stations, branches, and community post offices. CPUs are operated under contract by persons who are not postal employees. The quarters are provided by the contractor. Contracts to operate contract units provide that the contractor will transact specified postal business. Contract stations are located within the corporate limits or city carrier delivery area of the city or town in which the main post office is located. Contract branches are located outside the corporate limits or city carrier delivery area of the city or town in which the main office is located. Community post offices (CPOs) are operated under contract by persons who are not postal employees to provide service in small communities where an independent post office has been discontinued. A CPO bears its community's name and ZIP Code as part of a recognized mailing address.

CPU operators must be bonded and will be trained, administered and supervised by the postmaster in the area being served. Financial audits are completed on a yearly basis by the administrative postmaster. The administrative postmaster is responsible in monitoring the operations of the CPU and investigating and resolving consumer concerns. A full-service CPU provides the same services as an independent post office except permit mail acceptance and postage meter setting. We provide full service CPUs with postage stock, money orders, retail products, mailing supplies, and publications pertinent to mailing requirements.

- 2) I had asked about the issue of employee violence, and you explained that the Postal Service utilizes threat assessment teams to react to potential threats. How many teams are there, and what is their training? I am also interested in knowing how the teams are deployed: does a postal supervisor request their presence, and do employees participate in the decision to request a threat assessment team?

After an act of violence at a Postal facility, are these teams utilized, and how quickly can they be deployed?

Locations. There are threat assessment teams (TATs) in each of the 85 postal performance clusters (PCs).

Training. The initial TAT training offered during the summer and fall of 1997 was a 16 hour course. The initial audience was one or two representatives for each PC along with a postal

inspector from the associated division. 82 out of 85 PCs sent representatives. The Inspection Service sent one to two inspectors from each of its divisions.

The training consisted of live presentations from 1) the postal Law Department on legal issues concerning workplace violence, confidentiality, the Privacy Act, Freedom of Information Act, and establishing a TAT record system; 2) the Inspection Service on how the USPIS can assist the local TAT; 3) an external clinical psychologist presenting on the psychology of threat assessment (4 hours) with 2 or 3 case studies; and 4) a postal presenter on the administration, approach, and process of the TAT program at the Performance Cluster (PC) level.

In early 1998, the program began to expand in the field. Most PCs realized that more than the one or two individuals originally sent needed training. As a result, training was made available to the entire core team and alternates in each PC. The training was modified to 8 hours and presented to the majority of the PCs core team and alternates. This offering consisted of a postal presentation as described above and a presentation on the psychology of threat assessment (4 hours) with one case study. Nine out of eleven areas participated.

Contacting the TAT. Anyone, supervisor or employee, can contact the TAT. Some TATs have a special 800 number set up to receive calls, but whether there is a special number or not, anyone can report a concern of a threat or other incident to the TAT by contacting the chair of the TAT or any team member.

After an act of violence, TAT would typically be involved in analyzing the situation and assisting in preparing action plans for preventing future incidents. However, most of the initial activity following an incident of violence is crisis management, performed by the local crisis management team according to established performance cluster plans. These teams are deployed immediately in any local performance cluster, and they receive assistance in employee debriefings and individual counseling from EAP counselors and counselor supervisors who are deployed very rapidly (within hours, depending on the location) of any serious incident. In contrast, the TAT serves in a more proactive, preventative role, by assessing a variety of incidents, less serious and more serious, gathering information, and making recommendations to prevent and deal with violent, tense or hostile workplaces.

Question for Postmaster General William Henderson
Before the Subcommittee on International Security, Proliferation and Federal
Services oversight hearing on the U.S. Postal Service
Thursday, September 16, 1999

Senator Collins: Mr. Postmaster General, several months ago, I spoke with you about the possible issuance of a commemorative stamp to honor the 100th Anniversary of the Veterans of Foreign Wars of the United States. As you are well aware, a resolution I introduced which calls on the Postal Service to issue such a stamp now has the cosponsorship of three-fifths of the Senate and was accepted as an amendment to the Treasury, Postal appropriations bill. In light of the overwhelming support for such a stamp in the Senate, would you tell me where the United States Postal Service currently stands on the issuance of a commemorative stamp for the VFW's 100th Anniversary? Time is growing short.

Response to Senator Collins' question concerning a commemorative stamp in honor of the 100th anniversary of the Veterans of Foreign Wars (VFW) of the United States.

The Postal Service certainly recognizes the contributions of this organization. While stamps honoring the 50th and 75th anniversaries of the VFW were issued in 1949 and 1974, guidelines developed by the Citizens' Stamp Advisory Committee since then do not permit the commemoration of individual organizations and associations on stamps. These criteria were established because, with the ever-increasing number of such groups nationwide, it is difficult to single out one over another.

The Postal Service is attempting to identify the best way to honor veterans service organizations while adhering to the stamp issuance guidelines set forth by the Citizens' Stamp Advisory Committee. Toward that end, we have met with Department of Veterans' Affairs officials to review how we can best honor the continued service of our veterans while safeguarding the unique recognition associated with the dedication of a postage stamp. You may be assured we will continue to work with interested parties on this issue.

Question for Postmaster General Henderson

I am excited about the Postal Service's work with private companies regarding the sale of postage stamps using personal computers. I have a particular interest in Personal Computer Postage because Pitney Bowes, one of my corporate constituents, has been in the postage metering business for 80 years, and has been a real leader in developing personal computer postage services. However, as you know, Pitney Bowes has raised issues about the process being followed by the Postal Service in working with companies developing this new technology. I'm pleased that the Postal Service has recently been responsive to some of these concerns, and I urge a continuing dialogue between the Postal Service and companies involved in developing this technology.

Will you please keep me informed of developments in this area?

Response to Senator Lieberman's Question Concerning Pitney-Bowes and PC Postage

ClickStamp Online – Pitney Bowes Internet PC Postage™ product was approved by the Postal Service for national distribution in March of this year. Pitney Bowes also has presented a variety of other PC Postage™ products that are in various stages of development ranging from concept documents to field testing of prototypes. The Postal Service continues to work with all developers of PC Postage™ products on a "first-in /first-out" basis to review and approve PC Postage™ products that meet security criteria.

A meeting with all current PC Postage™ providers, including Pitney Bowes, was hosted this week in Washington DC at Postal Service Headquarters. The meeting was opened by Deputy PMG John Nolan and chaired by two Postal Service Vice Presidents (Pam Gibert and Robert Krause) and John Kelly, Packages President. This meeting focused on discussing options to current issues and identifying opportunities for the Postal Service and PC Postage™ providers to work more closely on building the PC Postage™ brand category.

Senator Max Cleland
 Questions for the Record
 for Post Master General Henderson
 Senate Governmental Affairs Hearing
 September 16, 1999

1. The National Transportation Safety Board has made numerous recommendations over the years to subject the U.S. Postal Service (USPS) to Department of Transportation hazardous materials inspections and increased enforcement. In a recent case (1997) before the postal rate commission (MC 97-2), the USPS witness argued that there should be a substantial surcharge on medical shipments. The witness also filed a document summarizing a number of incidents where mail contained blood to be tested or other hazardous materials that spilled. Given this documentation, as well as the fact that the USPS contracts out mail movement to other carriers, would you agree that all mail and package transporters should be subject to the same DOT regulations and inspections?
2. If you oppose making the same hazmat transportation laws apply to the USPS as apply to your competitors, why? Is it because of the cost of compliance?
3. Your employees pay income taxes, as do the employees of UPS, FedEx, and your other private-sector competitors. However, your competitors also pay corporate income tax on the profits they earn while the USPS is exempt from these taxes. Do you think this is fair to your tax-paying competitors? If the USPS were required to pay corporate income tax on the profits earned by your competitive products, would the rates you charge rise and come more into line with the market rates for these products?

Questions 1 and 2 answered in attachments that are retained in the files of the Subcommittee.

3. **Your employees pay income taxes, as do the employees of UPS, FedEx, and your other private-sector competitors. However, your competitors also pay corporate income tax on the profits they earn while the USPS is exempt from these taxes. Do you think this is fair to your tax-paying competitors? If the USPS were required to pay corporate income tax on the profits earned by your competitive products, would the rates you charge rise and come more into line with the market rates for these products?**

This question does not take into account the most significant differences between the Postal Service and concerns such as UPS and FedEx. Those companies are privately-owned, profit-making corporations whose primary purpose is to maximize economic returns for the benefit of their stockholders. The Postal Service, in contrast, is a publicly-owned establishment of the Federal government which, by law, operates on a break-even basis. Our primary task is not to make a profit for the American public, who are our real "stockholders", but to provide them with a "maximum degree of effective and regular postal services", at "reasonable and equitable" rates. In this context, any "profit" earned on competitive postal services is not devoted to the enrichment of stockholders, but to helping defray the overall institutional or "overhead" costs of the Postal Service. Assessing a corporate income tax on those operations would simply force the consumers of other postal services to shoulder a greater share of institutional costs, and thus indirectly impose an additional tax on the American public.

May 1, 2000

In response to your question, the Postal Service believes that its current hazardous materials program, managed under the authority of title 39, United States Code, is better attuned to the size and unique needs of the Postal Service. Postal mailing standards for hazardous materials adhere to 49 CFR and often include additional limitations and prohibitions. We are pleased to further describe the Postal Service Hazardous Materials Program below. We have attached several documents that outline the Postal Service's policies and procedures pertaining to hazardous materials in the mail. We will continue to refine the program, but the points below discuss some recent updates, as well as more established procedures. We will be happy to answer questions or discuss this further at your convenience.

- Department of Transportation (DOT) regulations do not cover the mail; instead, the Postal Service (USPS) controls its own hazardous materials program under section C023 of the Domestic Mail Manual (DMM).
- Because the Postal Service Hazardous Materials Program is established under the authority of title 39, U.S. Code, the Postal Service does not receive appropriated funds to manage this Program.
- Most hazardous material is nonmailable. The Postal Service accepts only limited quantities of potentially hazardous materials (what are defined as "Consumer Commodities", "Limited Quantities", or ORM-D (Other Regulated Material). Postal mailing standards for hazardous materials adhere to 49 CFR and often include additional limitations and prohibitions. Generally, postal standards restrict the mailing of hazardous materials to ORM-D materials that meet the postal volume limitations for the appropriate hazard class description of the mail. Exhibit 1.3 of DMM section C023 outlines the nine DOT hazard classes and summarizes if any portion of those classes may be mailable, either by surface or by air.
- On May 5, 1999, the Postal Service published a revision to DMM section C023, to clarify its standards governing the mailing of hazardous materials (see Postal Bulletin 21997, 5/6/99). It took a year to develop this revision, and it resulted in a significant tightening of hazmat labeling and packaging requirements, especially for hazardous materials parcels requiring air transportation. In addition, shipper declaration documentation is now required for all ORM-D-AIR shipments, and only ORM-D-AIR shipments will be transported via commercial/cargo aircraft (otherwise, ORM-D will be for Surface Transportation Only).
- In April, 1999, Postmaster General Henderson issued 2 sets of Interim Instructions: Instructions for the Handling and Distribution of Hazardous

Materials in Postal Facilities Performing Distribution; and Instructions for the Handling and Processing of Hazardous Materials in Airport Mail Centers and Airport Mail Facilities. These clarify the proper handling procedures for hazmat for major processing plants and airport processing centers. They are intended to ensure that proper flight assignments and hand off procedures are followed for hazardous materials.

- The Postal Service has ongoing training for employees in the hazardous materials area; approximately 6,000 postal employees were trained in the past year. In addition, the Postal Service has developed five hazardous materials training modules, working with the Department of Transportation's Research & Special Programs Administration (RSPA). Training is focused on employee awareness of hazardous material. The Postal Service goal is to train everyone who touches the mail (approximately 350,000 people).
- The Postal Service has been working on a hazardous materials mailability proposal to create civil penalty authority for mailability violations. This would significantly enhance the Postal Service's hazmat program. *See Attachment 4*. A hazardous materials penalty provision is also contained in postal reform legislation being considered this session.
- Under the current enforcement scheme, full responsibility rests with the mailer to comply with all postal and nonpostal laws and regulations regarding mailing of hazardous materials. Anyone who mails, or causes to be mailed, a nonmailable or improperly packaged hazardous material can be subject to legal penalties, including but not limited to those specified in 18 USC 1716 (injurious articles as nonmailable).
- The Inspection Service will take the lead and/or work with other agencies on hazardous materials investigations; however, prosecutions are difficult, because intent must be demonstrated. Types of hazmat include mercury, flammable liquids, snake venom, synthetic irritants, bodily fluids (medical samples and excrement), and certain types of fireworks.
- During recent FBI investigations of a number of anthrax hoax threats (investigated as terrorist acts), the Inspection Service cooperated and/or assisted in all cases.
- The Postal Inspection Service has demonstrated that profiling is an excellent method of investigating criminal acts, and has developed an extensive profiling system that has been highly effective in detecting unauthorized hazardous materials in the mailstream. Similar profiling methods are used by the Inspection Service, in cooperation with other law enforcement agencies, for the investigation of money laundering, narcotics trafficking, weapons smuggling, and for aviation security purposes. Profiling the mail successfully allows investigations to proceed without the need for mass screening (such

as x-rays) of mail. Mass screening is a violation of the Fourth Amendment and can unduly delay the mail.

- Regulations established by the Postal Service provide the authority for the Chief Postal Inspector to authorize the screening of mail where a credible threat has been determined and where life and property is placed in jeopardy. These regulations are used for high profile events such the Olympics, or threats such as that posed by the Unabomber, and for mail that fits established profiles as posing a threat. This authority is found in the Postal Service's Administrative Support Manual.
- Operations personnel rather than Postal Inspectors are the first line of contact with hazardous materials in the mail. The 2,000 postal inspectors nationwide work closely with postal management to ensure all employees are knowledgeable regarding risks and the handling of suspicious parcels. Postal employees are advised to contact local law enforcement first, followed immediately by notification to the Inspection Service.
- Postal inspectors maintain good working relationships with local, state and federal law enforcement agencies, as well as with military agencies. By coordinating response and information, the safety of all personnel involved is protected, the rights of the American public are preserved, and the mail continues to move.