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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

APR 28 1972

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Dear Mr. Hayden:

During our review of Postal Service operations, we inquired into the development, publication and distribution of the National ZIP Code Directory. Each year the Postal Service updates the Directory and distributes copies to post offices throughout the country. The Superintendent of Documents sells the Directory to the general public at a price per copy which substantially exceeds related costs. We believe that the Postal Service could achieve a wider distribution of the Directory and thereby increase the use of correct ZIP codes and recover the costs of publishing the Directory by selling it directly to the public through postal facilities at a significantly reduced price.

The ZIP code is designed to provide faster mail service by simplifying mail distribution. The National ZIP Code Directory, which is intended for use by all mailers, was developed by the Post Office Department and has been published since 1965. The Directory enables the users to determine the ZIP code for mail delivery points in the nation.

The Postal Service updates the Directory annually and pays the Government Printing Office for printing and initial distribution of the Directories which the Postal Service orders. Any required secondary distribution is made by the Postal Service Supply Centers. The Postal Service ordered 250,000 1971-72 Directories, at printing and initial distribution costs estimated at \$350,000 or about \$1.40 per copy. An increase in the number of Directories ordered from the Government Printing Office by the Postal Service would result in a lower per copy cost. Additional costs to the Postal Service include the yearly update which requires about 6.7 man-years annually and a computer tape update. The Service's initial distribution of the Directory during the past three years is shown below.

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<u>Recipient</u>	<u>Number of Directories</u>		
	<u>1971-72 Edition</u>	<u>1970-71 Edition</u>	<u>1969-70 Edition</u>
First-class Post Offices	27,000	26,000	26,000
Second-, Third-, and Fourth- class Post Offices (only 1 each)	27,000	27,000	27,000
Eastern Area Supply Center	95,000	80,000	80,000
Western Area Supply Center	90,000	80,000	80,000
Others	<u>11,000</u>	<u>22,000</u>	<u>17,000</u>
Total	<u>250,000</u>	<u>235,000</u>	<u>230,000</u>

Postmasters who need additional Directories requisition them from the supply centers.

ZIP Code Directories are used as a reference source in post offices by postal employees and customers. Postmasters are authorized to exchange the new edition of the Directory for the previous edition, free of charge, for all customers who wish to trade their old Directories on a copy-for-copy basis. This exchange program was started in 1967 to encourage mailers to use the correct ZIP code on their mail. The Postal Service does not maintain records on the number of customers who have exchanged Directories for new editions, but the Post Office Department estimated that 160,000 copies of the 1968 edition were exchanged.

Postal customers who want a Directory and do not have a previous edition to exchange must order Directories from the Superintendent of Documents. The Superintendent of Documents reimburses the Public Printer for the printing cost of Directories sold to the public and the remaining sales receipts are deposited in the Treasury as miscellaneous receipts. The following table contains data on Directories sold by the Superintendent of Documents.

<u>Edition year</u>	<u>Cost per copy</u>	<u>Price to the public</u>	<u>Number of copies sold</u>	<u>Total sales</u>
1970-71	\$1.36	\$10.00	39,500	\$395,000
1969-70	1.19	10.50	40,390	424,100
1968	1.24	7.00	41,500	290,500
1967	1.39	7.00	<u>65,900</u>	<u>461,300</u>
Total			<u>187,290</u>	<u>\$1,570,900</u>

Other Federal agencies have also ordered copies of the National ZIP Code Directory from the Government Printing Office at prices determined by the Public Printer. The price charged individual Federal agencies is based on a number of factors, such as the size of the order and the time of the order. In addition to the copies ordered by the Postal Service and the Superintendent of Documents, Federal agencies ordered 56,100 copies of the 1970-71 Directory. The following table shows the larger Directory orders by Federal agencies during the past two years.

<u>Edition year</u>	<u>Agency</u>	<u>Number of copies</u>	<u>Cost per copy</u>
1970-71	Air Force	13,500	\$.90
	Health, Education and Welfare	4,785	1.23
	Selective Service	4,500	1.10
	Internal Revenue Service	4,300	.90
1969-70	Army	21,500	.88
	Air Force	12,300	.92
	Health, Education and Welfare	5,525	1.01
	Navy	5,450	.97

A Postal official stated that several private firms publish and sell a condensed version of the ZIP Code Directory to the public through the mail. He stated that one firm, which charged \$2.50 per copy for their version of the Directory, had sold a great volume (exact quantity unknown) of its directories annually. He also stated that another firm, which charged \$5.00 per copy for their version of the Directory, had sold 75 to 100 copies a day. Thus, it appears to us that there is a substantial market for ZIP Code Directories which is not being reached by sales from the Superintendent of Documents at a price of \$10 per copy. It seems to us that the \$10 price is a limiting factor in providing ZIP Code Directories for more widespread use by the public, and we believe that the sales by the two firms cited above strongly indicate that many more people would buy and use ZIP Code Directories if they were made available at a lower price.

Under existing arrangements the Public Printer sets the price the public will pay for Directories. The General Counsel of the Government Printing Office stated that he believes the Postal Service is subject

to Title 44 of the United States Code and must obtain its printing needs from the Government Printing Office. Officials of the Postal Service, however, believe that Postal Service is not subject to Title 44 and under the Postal Reorganization Act it is authorized to choose its own printers, sell material printed for it to the public and retain the receipts from such sales.

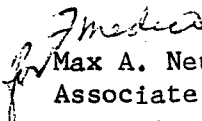
Government Printing Office officials advised us that they believed the Directory was priced in accordance with their established pricing formula for regular Government publications. In our opinion, the computations used under the formula substantially overstate the price.

In view of the wide difference between printing costs and the price presently charged the public by the Superintendent of Documents for Directories, we believe that the selling price could be substantially reduced. Moreover, we believe that the reduced price and convenience to the public of being able to purchase Directories at post offices, could result in a more widespread distribution of the Directory. We also believe that a reduced price should obviate the necessity for free exchange of new Directories.

We recommend that the Postal Service sell ZIP Code Directories at reasonable prices. We also recommend that the Postal Service eliminate the free Directory exchange. If the Postal Service believes that, to fully implement our recommendation, it would be desirable or necessary to change the law relating to this matter, we recommend that the Postal Service request the necessary legislation from the Congress.

Please let us know the action taken on this matter.

Sincerely yours,


Max A. Neuwirth
Associate Director

The Honorable Merrill A. Hayden
Deputy Postmaster General
United States Postal Service