UNITED STATES GENERAL ACCOUNTING OFFICE

Washington, D.C.   20548-0001

FOR RELEASE ON DELIVERY
Expected at 1:30 p.m. EDT
Tuesday, April 29, 1986

STATEMENT OF

WILLIAM J. ANDERSON

DIRECTOR, GENERAL GOVERNMENT DIVISION

BEFORE THE

SUBCOMMITTEE ON POSTAL OPERATIONS AND SERVICES

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

ON

THE USE OF MULTILINE

OPTICAL CHARACTER READERS FOR

THE POSTAL SERVICE'S

ZIP + 4 PROGRAM

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the Postal Service's changeover to multiline technology for its ZIP + 4 program, a program that we have watched, reviewed, and reported on many times over the past several years. Our latest report, which was done at your and Chairman Ford's request, was issued last month and provides information on the change to multiline technology. If I may, I would like to enter that report into the record and summarize here the key points that it makes.

--Last summer, after reevaluating the ZIP + 4 program, the Postal Service Board of Governors instructed the Service to replace its single-line optical character readers (OCR) with multiline readers. The Board decided to make this change because businesses have been relatively slow to use ZIP + 4 codes, which the single-line technology requires, and the Board saw no immediate upsurge in that use.

As we have testified before, we believe the key to whether the Service should switch from single-line to multiline technology is the eventual level of ZIP + 4 usage by business mailers. We hold that view because the extent of savings each technology will produce is directly related to the ZIP + 4 usage level. Actual

ZIP + 4 use has been far less than the Service anticipated, and the Board of Governors has concluded that acceptable usage levels will be reached more slowly than previously expected and has decided that multiline OCRs are needed to realize immediate savings. We have no basis for disagreeing with that decision.

The Service is going about making the directed change to multiline technology by converting 403 of its single-line OCRs and by buying up to 250 new multiline OCRs. Two companies--ElectroCom Automation, Incorporated and Recognition Equipment, Incorporated--are competing for the conversion contract and the new multiline OCR contract.

In our August 1984 report Comparative Review of Single-Line And Multiline Optical Character Readers Used In Mail Processing, we said the performance level that single-line-converted-to-multiline OCRs could achieve was unknown and could be determined only by designing and building a conversion kit, installing it on a single-line OCR, and testing the converted machine. This is exactly what the Service plans to do before awarding the conversion contract.

The Service bought the single-line OCRs in two groups or
phases and conducted performance tests of competing
machines before purchasing each phase. Nevertheless, the
decision to test before buying new multiline OCRs has not
been without controversy. The controversy concerned, as
we understand it, the need for a competitive run-off
inasmuch as Recognition Equipment had a multiline OCR
that could process U.S. mail while ElectroCom had to
develop such a machine. As a general matter, we agree
that the Service should seek competition and test
competing machines before buying any phase of OCRs.

--Even with the change to multiline technology, the
Service plans to continue to urge businesses to address
mail with ZIP + 4 codes because it sees the codes as
necessary to the further automation of all mail
processing operations. The Service says it intends to
make maximum use of ZIP + 4 codes on all classes of mail,
and the codes have become the "grid" on which
distribution and delivery operations will be based. The
Service expects to have basic postage rates and
incentives which reflect the operational efficiencies
which it realizes from mail bearing customer-applied
ZIP + 4 codes.

The Service's stated intention of achieving maximum use
of ZIP + 4 codes on all classes of mail by changing basic

postage rates and incentives is probably a natural and appropriate step to take in automating mail sorting operations. Nevertheless, the intention to gain maximum use on all classes by changing rates is a significant change from the limited application--both in terms of mail classes covered and rate structure--that the ZIP + 4 program began with in October 1983.

Last summer the Service again revised its ZIP + 4 usage projections and these projections look sharply different from the two previous sets of estimates. The Service no longer expects to process 50 billion pieces of ZIP + 4 coded mail--First-Class Mail--in 1989. The new estimate is 26 billion pieces. Simply because they are so much lower, the current estimates of ZIP + 4 usage through 1989 appear more realistic than the two previous sets.

However, we have no basis to say how close the estimates are to what may occur through 1989. While we can only speculate, we believe the installation of multiline technology could well depress ZIP + 4 growth until the Service secures support from the mailing industry for its current strategy to maximize ZIP + 4 use on First-Class and all other classes of mail. We believe the Service will have a difficult time convincing businesses to spend money to convert their address files to ZIP + 4 when the

Service is spending tens of millions of dollars to acquire multiline technology which can determine the appropriate ZIP + 4 code from reading the address on the envelope.

--Regardless of whether the technology is single-line or multiline, automated mail processing inherently requires mail that is OCR readable--free of characteristics which lower the mail's chances of being correctly read and sorted. Although manufacturers have improved the capability of OCRs, the readability of mail remains a critical element to the full success of the automation program. Mail that OCRs cannot read must be processed in the more expensive manual-mechanical system, the same system the Service wants to minimize with automation. As we indicated in the past, the Service must work with and gain the cooperation of business mailers in enlarging the volume of OCR-readable mail.

Like readability, mailers' use of ZIP + 4 codes enhances the cost effectiveness of multiline OCRs. It does this by increasing the amount of mail successfully scanned and imprinted with a nine-digit bar code. As with non-readable mail, mail not barcoded to nine digits must eventually be processed in the more expensive manual-mechanical processing system. We therefore

believe the Service should continue to strive to increase the volume of ZIP + 4 mail it receives. The Service, as stated earlier, intends to do just that and has prepared a ZIP + 4 business plan to guide the future course of the ZIP + 4/automation program.

This concludes my statement, Mr. Chairman. Mr. Elmore and I will be happy to answer any questions you may have.