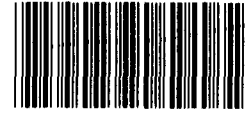


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Conflicts Between Postal and
Municipal Boundaries

Statement of L. Nye Stevens
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Operations Issues
General Government Division

Before the Subcommittee on
Postal Operations and Services
Committee on Post Office and Civil Service
U.S. House of Representatives



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CONFLICTS BETWEEN POSTAL
AND MUNICIPAL BOUNDARIES

Summary of Statement By
L. Nye Stevens
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Operations Issues

The mailing address for most people, as assigned by the Postal Service, reflects the city name and ZIP Code of their physical location. However, some people reside in one municipality but are assigned a mailing address of another municipality. As evidenced by numerous complaints of customers and municipalities, if such a mailing address (city name and ZIP Code) is used as a geographic locator, its use can delay the delivery of emergency medical service, increase automobile insurance rates for affected residents, distort the allocation of funds to municipalities by State and County Governments, and result in improper assessment of wage and sales taxes.

In a September 1988 policy statement, the Postmaster General called for postal managers to be more responsive to local needs through aggressive pursuit of administrative solutions. Such a call was needed because past Service responses to requests for address changes have not explained the delivery problems such changes can cause.

H.R. 2380 would transfer control to local government officials by requiring the Postal Service to revise ZIP Code assignments to coincide with municipal boundaries, if requested by the municipality. H.R. 2902 would lessen the Postal Service's control by granting local governments the discretion to assign mailing addresses within their jurisdiction using (1) the name of the municipality in which the address is located and (2) the ZIP Code as assigned by the Postal Service.

GAO believes that the solutions offered by the proposed legislation could be expensive and disruptive to mail delivery service. Boundary changes will often result in the transfer of deliveries to other carrier routes, the movement or hiring of additional letter carriers, and the acquisition of additional space if there is no post office in the gaining areas or an existing post office cannot absorb the additional deliveries. Although there would be little impact of a changed municipality name where the municipality is wholly served by one post office, where more than one post office is involved, a changed city name and no ZIP Code change could slow mail delivery and increase Service costs if the ZIP Code is missing, wrong, or unreadable. This would occur because the mail would be sent to the named city rather than to the delivery office, requiring time-consuming and costly rehandling.

However, there are other alternative solutions available for resolving some of the addressing problems on a case-by-case basis. To clear up some of the community identity issues, municipalities and individuals can use a mailing address that lists their municipality name on the second line of their address (above the street designation). Also, the Postal Service has, in some cases, accepted the use of municipality name in lieu of the delivery post office name in the last line of the address, at the option of the affected customers. To identify correct municipalities for use in collecting and allocating tax revenue, distributing funds, setting insurance rates, etc., local and state jurisdictions and businesses could utilize ZIP+4 addresses. Also, the Postal Service could consider whether delivery areas which cross municipal boundaries could be brought into the delivery area of any new facilities.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to contribute to your consideration of H.R. 2380 and H.R. 2902. Both bills would lessen the absolute control that the Postal Service now has over the designation of mailing addresses. H.R. 2380 would transfer control to local government officials by requiring the Postal Service to revise ZIP Code assignments to coincide with municipal boundaries, if requested by the municipality. H.R. 2902 would lessen the Postal Service's control by granting local governments the discretion to assign mailing addresses within their jurisdiction using (1) the name of the municipality in which the address is located and (2) the ZIP Code as assigned by the Postal Service.

The objective sought by both bills is to solve problems experienced by constituents who reside in one municipality but have a mailing address of another municipality. The Service has acknowledged receiving numerous complaints that this type of addressing situation has caused confusion in locating those customers in emergencies, higher insurance premiums for affected customers, incorrect tax payments to municipalities by states and counties, and other problems. The Postal Service also received complaints from citizens who live in what they perceive to be more prestigious communities than their mailing address indicates, and from municipal governments complaining of a loss of community identity.

Our involvement in this matter was requested by Senators Bradley and DeConcini and Representatives Dymally, Saxton, Stump, and Schroeder, and was coordinated through this Subcommittee. We worked at Postal Service headquarters and seven division offices --Van Nuys, Long Beach, Los Angeles, New Brunswick, South Jersey, Philadelphia, and Denver--which were among the locations represented by the various requesters. At these locations, we discussed mail processing and delivery procedures with Service officials; reviewed operations manuals and policies; reviewed available files on community requests for ZIP Code realignment; and obtained estimates from the Service on the potential costs involved in changing ZIP Code boundaries to match municipal boundaries for Culver City and West Hills, California and Wheat Ridge, Colorado. The divisions we visited geographically represent four of the five Service regions, but our work was not designed to be projectable to the universe of postal delivery areas.

We also interviewed community officials in Culver City, California and Wheat Ridge, Arvada, Lakewood, and Westminster, Colorado, to identify problems they experienced with ZIP Code boundaries which did not coincide with municipal boundaries. Our field work was done between March and May, 1990.

HOW THE ZIP CODE IS USED

TO GET MAIL TO THE CUSTOMER

The five-digit ZIP Code system was established to facilitate the distribution and delivery of mail. The first digit designates a broad geographical area of the United States, ranging from zero for the Northeast to nine for the Far West. Each state is divided into an average of 10 smaller geographical territories, identified by the next two digits. Each of these geographical territories contain one or more three-digit areas. States have as few as 3 three-digit areas (Rhode Island) to over 60 three-digit areas (California). The final two digits identify a local post office's delivery area. To distribute and deliver mail, the first three digits are used to identify the location of large distribution centers; the last two digits to identify the delivery office or the customer's post office.

Delivery areas are established to enhance the efficient delivery of mail by letter carriers. These areas are usually based on proximity to delivery facilities and on such geographical features as rivers, highways, and railroad tracks. For mail delivery purposes, there is no need to have delivery areas or routes follow municipal boundaries. When the Service makes changes to ZIP Code boundaries, it is usually due to population growth of an area or the establishment of a new delivery office.

The cost of mail delivery is greatly influenced by the proximity of letter carrier routes to the delivery office.

A recognized limitation of the five-digit ZIP Code is that it cannot be used to sort mail down to a carrier route. In 1983, the Postal Service initiated an expanded ZIP Code concept, adding four digits to the five digit Code. The four digit add-on (the ZIP+4 Code) divides the delivery area into sectors (digits 6 and 7) and segments (digits 8 and 9). Sectors, which designate small geographical areas, do not cross state or county lines. Segments within each sector can be one or both sides of a street between intersections; a company or building; a floor or group of floors within a building; a post office box or group of boxes; or any other designated delivery point. All letter carrier routes break at segment boundaries and route adjustments are made by transferring whole segments from one carrier to another.

All three methods of mail sorting--automation, mechanization, and manual--primarily use the ZIP Code. If the ZIP Code is missing, wrong, or unreadable, the city name becomes the primary key. Automated equipment can sort mail to a letter carrier route using the ZIP+4 Code which is either read by the equipment from the mail piece or looked up in a computerized internal directory.

Mail that has been rejected by automated equipment or cannot be processed by automation due to size, address readability, or

other reasons, is processed by manually operated sorting machines (mechanized) or handsorted by employees at mail cases (manual). Keying primarily on the ZIP Code, a sorting machine operator or manual handsorting clerk can direct a mail piece to the destination office and, in some cases, to the carrier route within that office. Manual distribution clerks also use the city name to send mail to the destination office. At the destination office, for mail not already sorted to carrier route, distribution clerks sort mail to letter carriers, post office boxes, and firms.

In fiscal year 1989, according to the Postal Service, about 16 percent of letter mail was sorted manually, 42 percent was sorted on mechanized equipment, and 42 percent was processed on automated equipment.

All three mail distribution methods rely on the correctness of the last line of the address (city, state, and ZIP Code) as designated by the Postal Service. Any changes or errors made in the last line by postal customers could delay delivery of the mail piece by routing it to the wrong delivery area or carrier route. Misdirected mail must be rehandled to make a correct delivery or returned to the sender at an increased cost to the Postal Service.

NONPOSTAL USE OF ZIP

CODE CAUSES PROBLEMS

The five-digit ZIP Code has been adopted by nonpostal entities and individuals as a geographic locator, providing a convenient means of targeting populations for collecting wage and retail sales taxes, setting insurance rates, remitting tax revenues, and directing emergency medical services. When municipal and ZIP Code boundaries conflict, the mailing address city name and the five-digit ZIP Code do not always identify the geographic location of the address. Use of the mailing address city name and the ZIP Code as a geographic locator can adversely affect some postal customers. For example, people residing in suburban Montgomery County, Pennsylvania, with a Philadelphia mailing address and ZIP Code have been assessed higher urban rates for automobile insurance.

As I will discuss later, the Postal Service can do more to resolve problems caused by conflicts between municipal and ZIP Code boundaries. However, resolution can be expensive and the burden should not be placed entirely on the Postal Service. There are available solutions, other than changing the ZIP Code, for problems caused by conflicts between municipal and ZIP Code boundaries.

CHANGING ZIP CODE BOUNDARIES

DISRUPTS SERVICE AND CAN BE

COSTLY

The Postal Service is reluctant to change the mail delivery system because changes increase costs for all of the participants (the Postal Service, mailers, and postal customers) and, in the short run, can adversely affect mail delivery service. According to the Postal Operations Manual, changes in ZIP Code boundaries will only be approved if they provide service benefits to the customer and service or cost benefits to the Postal Service. Municipality and community requests for ZIP Code boundary changes must also meet the service/cost benefits criteria.

ZIP Code boundaries are established only to promote the efficient delivery of mail in an area surrounding a post office. Boundary changes will often result in the transfer of deliveries to other carrier routes because a given carrier works within one ZIP Code. Where ZIP Code changes split up routes, deliveries will be shifted among carriers. Boundary changes can also result in the movement of deliveries and routes between delivering postal facilities, causing the workload to shift. These cases often require the movement or hiring of additional letter carriers, and the acquisition of additional space if there is no post office in the gaining areas or an existing post office cannot absorb the additional deliveries.

Our work identified a wide variety of additional costs that can be involved in local situations. These include

- training of distribution clerks in new sorting plans (schemes),
- reviewing and adjusting affected carrier routes (6 days of study and observation are required to adjust each route),
- acquiring additional equipment (sorting cases) and vehicles if new routes are created,
- adding carriers for any new routes,
- incurring additional daily travel time for letter carriers,
- leasing or constructing space if deliveries are moved between two or more facilities and there is no postal facility in the new ZIP Code area or if sufficient space is not available in an existing postal facility,
- changing computerized address files and modifying sorting schemes for the three systems used to distribute mail,

- adding changes in the last line of the address to automated equipment directories,
- determining the degree to which affected residents want a change and notifying customers of a change in their address,
- creating mail forwarding files and forwarding First Class mail for 12 months,
- furnishing mailers with changes in the last line of addresses, and
- experiencing errors and inefficiencies in routing and delivery until distribution clerks and carriers become familiar with changes.

Additional Postal Service costs will be passed on to postal customers through increased postage costs. In addition, cost impacts on business mailers include changing address files and computerized files used to presort mail to five-digit locations and carrier routes. Affected customers, including business mailers, may incur costs such as notifying correspondents of their new address and replacing preaddressed stationery. Also, for months after the change, customers may experience deteriorated mail delivery resulting from continued use of the old address.

Specifically, we asked the Postal Service to develop estimates of costs which would be incurred in realigning ZIP Code boundaries to match municipal boundaries for West Hills and Culver City, California and for Wheat Ridge, Colorado. Understandably, the Service was unable to identify precise costs because there are several expenses which cannot be measured without a detailed study. These include the number of carriers willing to transfer to a new office; the need for and cost of new or expanded facilities; and the results of route inspections. To account for such variables, the Service provided two estimates for each case --one using assumptions that would show minimum or best case costs and one using assumptions that would show maximum or worst case costs. The estimates, which we did not have time to verify, yielded a range in which the Postal Service believed anticipated costs would most likely fall.

-- West Hills is a community in the municipality of Los Angeles which borders Canoga Park and is served by a station of the Canoga Park Post Office. West Hills residents have argued for a separate ZIP Code--one that would not be shared with Canoga Park. The Service estimated that about 5,900 Canoga Park deliveries would be transferred to the West Hills station from the Canoga Park Post Office. The estimated costs of giving these customers their own ZIP Code would range between \$1.3 million and \$1.5 million, including

the cost of a new postal facility because the station in West Hills is too small to handle the entire community.

- Culver City residents are served by more than one postal facility (principally Culver City and Los Angeles). Residents with a Los Angeles mailing address have said they want to use the Culver City name and ZIP Code. The Service estimated that about 7,700 deliveries would be moved between the two divisions at a cost ranging from \$340,000 to \$1.1 million, exclusive of costs for additional facilities space that would be needed. The Culver City situation is made more complex because the involved postal facilities are under the jurisdiction of two division offices (Los Angeles and Long Beach) and some Los Angeles residents are served by the Culver City Post Office. To help illustrate the complication of this situation a map of Culver City is included as an attachment.

- Wheat Ridge residents are also served by more than one post office (principally Denver and Wheat Ridge). About 4,500 deliveries have a Denver ZIP Code and the Postal Service's estimated cost of letting these residents use the Wheat Ridge name and ZIP Code would range from \$75,000 to \$2.1 million. Additional space would be required and the higher estimate is to cover the cost of new construction if needed

space could not be leased at the shopping center location of the Wheat Ridge Post Office.

The magnitude of aligning municipality and ZIP Code boundaries is illustrated by a recent Postal Service municipal boundary survey. The study found that over 11 million deliveries are served by carriers who cross municipal boundaries. If delivery boundaries were realigned to match municipal boundaries, the study found an estimated need for about 1,600 new postal facilities and 10,500 additional letter carriers. Also, as municipalities annex territories, such as is currently being done in Palmdale and Lancaster, California, ZIP Code boundary changes could recur repeatedly.

Also to be considered is the availability of additional five-digit codes when boundary changes require new ZIP Code designations. There are a possible 1,000 three-digit areas (first 3 digits of the ZIP Code) from 000 through 999. As of the end of 1989, 924 had been assigned. Within each three-digit area, a maximum of 100 ZIP Codes are possible (last 2 digits of the ZIP Code). As of the end of 1989, one three-digit area (Houston) had used all 100 available ZIP Codes and 20 others had used 90 or more. These are generally large cities such as Atlanta, Boston, Chicago, Los Angeles, Minneapolis, Oakland, and St. Louis or rapidly growing areas such as Raleigh, Sacramento, San Bernardino, and South Jersey. In these places it is not

mathematically possible to increase the number of ZIP Codes significantly.

Use Of Municipality

Name and ZIP Code Of

Delivery Post Office

The impact of a changed city name and no ZIP Code change in the last line of the address would not be as costly as changing the ZIP Code and, in fact, is not a problem where the municipality is wholly served by a single post office. However, where the municipality is served by two or more post offices, mail delivery could be slowed if the ZIP Code is missing, wrong, or unreadable and the mail is misrouted. For example, if a Culver City resident whose mailing address is Los Angeles with a Los Angeles ZIP Code (90066) were to use the Culver City name, mail for that resident addressed to Culver City with a missing or incorrect ZIP Code (i.e. other than 90066) would likely be sent to the Culver City Post Office in error.

There is also a risk of having a mail piece with a correct ZIP Code misdirected when the city name is not the delivery office indicated by the ZIP Code and the mail piece is handled manually (about 16 percent of letter mail is sorted manually). We were told by postal officials at various locations that manual distribution clerks frequently sort mail by city name rather than

by ZIP Code. Thus, when the city name is not the delivery office indicated by the ZIP Code, a mail piece could be misdirected if it has no ZIP Code, a wrong one, or the correct one if the manual sort is made using the city name. Misdirected mail must be rehandled or returned to sender as undeliverable, at an additional cost to the Postal Service.

Under legislation mandating the use of municipality names among all affected customers, the potential for misdirected mail would increase.

THE SERVICE CAN DO MORE TO
BE RESPONSIVE TO CONCERNS

The Postal Service designates mailing address city names and ZIP Codes based on its determination of what is needed for delivery efficiency. Historically, the Service's policy was that addressing and delivery changes should be made only if they showed a clear benefit to the Service. In recent years, municipalities and communities, through their congressional representatives, have pressed the Service to resolve problems stemming from mailing addresses which differ from municipal addresses. In a September 1988 policy statement, the Postmaster General called for postal managers to be more responsive to local needs through aggressive pursuit of administrative solutions.

Such a call was needed because past Service responses to requests for address changes have often been met with only cursory consideration and quasi-boilerplate letters of rejection. These responses have been a source of frustration for those who have received them. These frustrations have led to proposed legislation which would lessen the Service's control over the designation of mailing addresses.

One example of the Service's apparent lack of responsiveness to a request concerning the designation of delivery areas (and addresses) is illustrated by a New Brunswick Division letter answering a December 1987 request from Greenwich Township. The Township Committee asked that it be consulted before post offices are designated to serve various planned development areas. The Service responded in February 1988 using the following unresponsive language,

"The Postal Service is charged with the responsibility of providing, as a basic function, mail service for the purpose of binding the nation together through the correspondence of its people. An attendant obligation is to provide mail delivery service in the most efficient manner possible at a cost to the public which is reasonable and equitable.

Postal delivery boundaries are established to provide the most efficient system of delivery service possible to qualified areas. Delivery boundaries are not assigned solely for the purpose of providing local identity and do not necessarily coincide with city, county or township boundaries."

We examined all of the available case files for municipality and/or organized community requests for ZIP Code changes in the Van Nuys Division (10 requests), Long Beach Division (12 requests), and Denver Division (4 requests) within the past 6 years. The primary concerns behind those requests included community identity, insurance rates, property values, prestige, and sales tax implications.

Of the 26 requests for ZIP Code changes, 2 were approved, 1 is pending, and the remaining 23 were denied. One of the approved changes involved only two deliveries and the other was made in an undeveloped area and no existing deliveries were affected. The principal reasons for denial stated in the response letters included lack of facility space, operational difficulties, and significant costs. For 9 of the 26 cases, the Service at the local level approved the use of the common community name as the mailing address city name.

Sometimes ZIP Code change requests which could be easily handled by the Service have been peremptorily denied. For example, in the Philadelphia Division, a request to have York Lynne Manor's ZIP Code changed was initially denied. Following a subsequent inquiry by a congressman, the Division considered the request and determined that it was indeed feasible to make the change. The change involved fewer than 50 deliveries and took effect about 9 months after the initial denial letter. We were told by the Division's Director of Marketing and Communications that a common sense approach is now being taken to ZIP Code changes.

To illustrate, he cited the Division's accommodation of a requested change (from city to suburban) by providing, during normal facility planning, space needed for the transfer of eight carrier routes.

Our work disclosed that many Service responses conveyed a tone of nonresponsiveness because they did not support a denial with convincing data or detailed explanation. A factual basis for saying "no," convincingly conveyed in a response letter, would make the Postmaster General's September 1988 policy statement more palatable and credible.

ALTERNATIVE SOLUTIONS

Even though the Service may have to deny many of the requests, there are other actions available for resolving some of the addressing problems on a case-by-case basis.

The easiest alternative for clearing up some of the community identity issues would be for municipalities and individuals to use a mailing address that lists their municipality name on the second line of their address (above the street designation). The Service frequently recommends this as a way to provide community identity.

Another way for the Service to assist in providing community identity without legislation mandating that all affected customers change their address, is acceptance of municipality names in lieu of the delivery post office name in the last line of the address on an optional basis. (The ZIP Code must be correct and readable or (1) the customers will experience delayed mail delivery or no delivery of mail that will be returned to the sender and (2) the Service will incur rehandling and transportation costs of mail which is misdirected). The residents of West Hills, California, although denied a ZIP Code change, were authorized to use their community name in the last line of the mailing address if they wished.

Also, the Denver Division recently told representatives of numerous area municipalities that their residents would be allowed to use the city name of their municipality rather than the name of their delivery post office. The Division assured the local municipalities that as long as the correct street address and ZIP Code are on the mail piece it will be delivered.

Customers accepting a name change without a ZIP Code change run the risk of having their mail delayed if the ZIP Code is wrong or missing and the mail is routed to the delivery office of the named city. However, those who do not want to incur this risk could retain the option of continuing to use the postal delivery address.

Another possibility for resolving a limited number of conflicts between municipal and ZIP Code boundaries is for the Service, when planning for the construction of new post offices, to consider whether delivery areas which cross municipal boundaries could be brought into the delivery area of the new facility.

If requested, the Postal Service can assist private businesses and state and county governments in identifying the location of mailing addresses. ZIP+4 addresses maintained by the Postal Service in a computer file can be plotted on a map to identify the exact location of an address.

Something similar was done in Denver in 1982. The Service provided various municipalities with a listing of the 5-digit ZIP Codes and their sectors (the first two digits of their 4-digit add-on) within their municipal boundaries.

Using this type of information, local and state jurisdictions and businesses could utilize ZIP+4 addresses to identify persons' correct municipalities for use in collecting and allocating tax revenues, distributing funds, setting insurance rates, etc.

Costs to the Service for compiling such lists would vary, depending on the circumstances. Managers we spoke with said that creating such listings would probably not involve a significant amount of work. Within 2 to 3 years, a Service computer-assisted mapping system is expected to have the capability to generate maps showing delivery sectors (first 2 digits of the 4-digit add-on) within municipal boundaries.

An alternative approach for avoiding the confusion caused by differences between mailing addresses and locatable addresses within municipalities can be found in nearby Prince William County, Virginia. The county police department communications office there identifies locations by street address and police sector number. Callers are asked for their street address; the address is entered into the computer; the computer checks the validity of the street address; and the computer screen shows the

applicable police sector number for dispatching purposes. The system does not use the ZIP Code, the mailing address city name, or the community name.

CONCLUSION

The Postal Service spends about \$40 billion a year to maintain a mail distribution and delivery system. The distribution and delivery system touches every community in the United States and provides daily (six days a week) mail service to 116 million addresses. This complex system or network is tied together and made workable by ZIP Codes.

Where ZIP Code boundaries do not match municipal boundaries, affected municipalities and customers have sometimes experienced locatability, community identity, insurance rate setting, and/or taxing problems. Most of the problems are caused by the use of ZIP Codes by nonpostal entities to identify municipalities, a use which the Postal Service never intended.

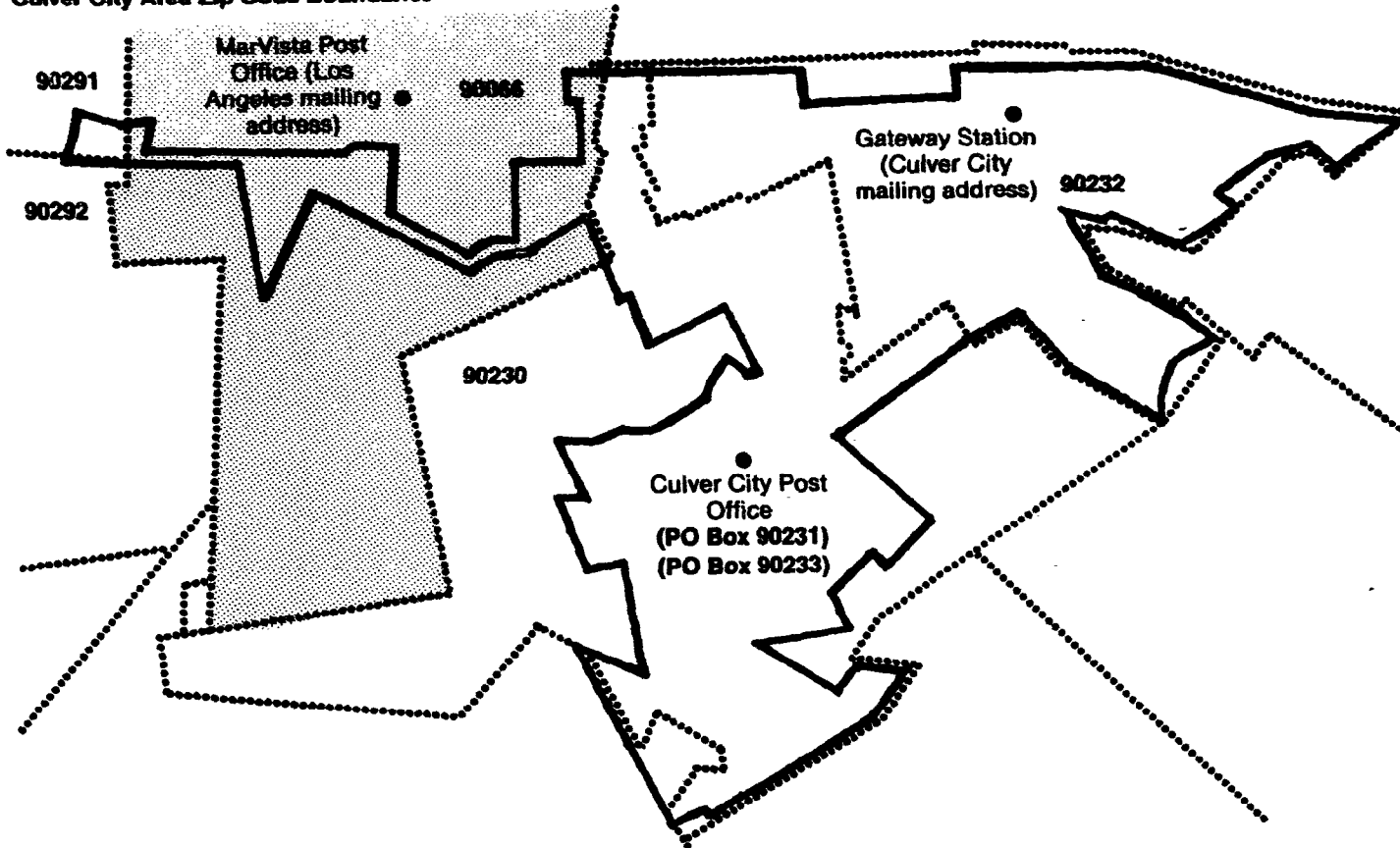
H.R. 2380 would allow, without Postal Service agreement, local government officials to assign ZIP Codes to coincide with municipal boundaries. This would disrupt current mail distribution and delivery arrangements and would substantially increase Postal Service costs. H.R. 2902 would allow the use of a city name other than the one desired by the post office and

indicated by the ZIP Code. This would help resolve community identity concerns, but not problems stemming from use of the ZIP Code by other entities. The Postal Service has been more receptive to a city name change than a change in the ZIP Code. However, even with Postal Service agreement, there is an increased risk that mail will be misdirected. When the Postal Service has legitimate operational reasons to oppose such a change, we believe it should retain ultimate authority over its delivery system. Thus, we cannot support either bill.

We do, however, support the accommodative approach of the Postmaster General's September 1988 policy statement and believe that the Postal Service can do more both to explain and to resolve problems caused by conflicts between municipal and ZIP Code boundaries. However, resolution can be expensive and disruptive to mail delivery service and the burden should not be placed entirely on the Postal Service. There are available solutions, other than changing the ZIP Code, for problems caused by conflicts between municipal and ZIP Code boundaries.

This concludes my statement, Mr. Chairman. My colleagues and I will be pleased to answer any questions you may have.

Culver City Area Zip Code Boundaries



— City Limits
..... Zip Codes