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THE ISSUANCE OF SEMIPOSTAL STAMPS BY THE U.S. POSTAL SERVICE

HEARING

BEFORE THE

INTERNATIONAL SECURITY, PROLIFERATION, AND FEDERAL SERVICES SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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THE ISSUANCE OF SEMIPOSTAL STAMPS BY THE U.S. POSTAL SERVICE

THURSDAY, MAY 25, 2000

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 10:02 a.m. in room D–342, Senate Dirksen Building, Hon. Thad Cochran, Chairman of the Subcommittee, presiding.

Present: Senators Cochran, Levin, and Akaka.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. The Subcommittee will please come to order.

This morning we are meeting to receive testimony on an issue regarding specially issued postal stamps that are sold by the U.S. Postal Service. These are sold with a surcharge that raises money for special purposes.

The first such semipostal stamp was authorized by Congress in 1997 when we passed the Stamp Out Breast Cancer Act, which directed the Postal Service to develop and issue a semipostal stamp to help raise funds for breast cancer research. This was the first postal stamp of this kind ever issued by the U.S. Postal Service.

The legislation authorizing the selling of these stamps expires this year in July, and a bill has been introduced and is pending before this Committee to reauthorize the issuance of the Breast Cancer Research Stamp for another 2 years.

Other bills have also been introduced in Congress to authorize the Postal Service to develop and issue semipostal stamps to raise funds for a number of different worthy causes. One example is a bill to authorize a stamp to raise funds to support domestic violence prevention; there is another, by Senator DeWine, to raise funds for organ and tissue donation awareness; and another to promote railroad crossing safety.

This hearing gives us an opportunity to examine the effectiveness of the Breast Cancer Research Stamp, its acceptance by the general public, the handling of the responsibility under the legislation by the Postal Service and what problems, if any, have developed as a result of that experience.

And so, we are very pleased to welcome to our Subcommittee the distinguished Senator from California, Ms. Feinstein, who was the author of the Breast Cancer Research Stamp bill and has offered

reauthorization legislation, and Senator Mike DeWine of Ohio, who is the author of the organ and tissue donation awareness bill.

We are very pleased to have you come to the Subcommittee this morning and discuss these items of interest to us and the Congress and the general public, and we invite you to proceed. We call on Senator Feinstein first.

Oh, excuse me.

Senator LEVIN. I snuck in.

Senator COCHRAN. Senator Levin, a distinguished Member of the Subcommittee has arrived. Senator, you have the floor.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you very much, Mr. Chairman. Let me commend you for calling this hearing, welcoming also our good colleagues to this hearing. This is a very important subject which we are taking up this morning.

There are many bills now which have been introduced to authorize semipostal stamps. In addition to the Breast Cancer Research Stamp, which has already been issued and has been a success, we have other proposals, including that of our good friend, Senator DeWine. I looked at the list of other bills that have now been filed authorizing semipostals. They include AIDS research, diabetes research, Alzheimer's disease, prostate cancer, emergency food relief, a World War II Memorial semipostal, the one this Subcommittee has already taken up for the highway rail grade crossing safety, and domestic violence. And, of course, we have the organ and tissue donation semipostal bill, which Senator DeWine has introduced.

I have been troubled by the principle involved here that Congress should pick and choose which charities or causes to authorize semipostals for. I think it puts us in a very difficult position. It is hard to imagine too many of us voting against any of the semipostal bills because I think most of us are involved in probably most of those causes. I have been extraordinarily involved in the organ and tissue donation cause, for instance. And there are a number of other causes, diabetes, for example, where I have been very deeply involved in trying to obtain funding for those.

I actually voted against the Breast Cancer Research Stamp obviously not because I oppose funding for that cause, which Senator Feinstein has championed so beautifully, but because I just think this is the wrong way for us to be raising funds and making decisions.

I would vote in a New York minute, as they say, to double the amount of money for breast cancer research or organ and tissue donation or a number of these other causes. But to use this particular method with the Congress picking and choosing one cause over another, seems to me, creates a lot of problems. In some cases, the Postal Service may even lose money in the process. The Postal Service, in terms of costs, could actually be spending more money than is raised, and then that raises additional problems as well.

But, Mr. Chairman, this is an important subject. There is a lot of interest in it. The causes here are clearly worthy. I do not think there could be any doubt about the worthiness of the causes, but the question here is whether or not we should be picking and

choosing semipostal stamps to raise funds for these causes, and that is where I have some difficulty.

One of the bills we will discuss today is that of Representative McHugh. Rep. McHugh's bill would transfer the authority to the Postal Service to issue semipostals, and allow them to make this decision the same way they do on all other stamps. We have taken the authorization of regular stamps, commemorative stamps out of the hands of Congress and put it into Postal Service Advisory Committee because we wanted to separate stamp selection from politics. That committee has had some real success. Now, each of us individually and by resolution make recommendations to the Postal Service for commemoratives, but we do not make political decisions in the Congress anymore. We do not mandate the issuance of stamps. It is a decision of the Citizens' Stamp Advisory Committee and the Postal Service to try to separate stamp selection from political considerations. I think that has been a real advance for all of us, and the bill which Congressman McHugh has introduced—seems to me is one approach to this. It would reauthorize the Breast Cancer Research Stamp because it is already on the books, but it would leave the future issuance of semipostals for other causes in the hands of the Citizens' Stamp Advisory Committee and the Postal Service. I think we ought to take a close look at that approach.

So, Mr. Chairman, again I think that we are on a subject here which that is of real importance—and I look forward to discussing what the best way is to support these very worthy causes, which all of us support. I thank you for having the hearing, and I want to thank our two colleagues for their energies and their efforts on behalf of two causes which I hope and believe have universal support in the country and in this Senate.

PREPARED STATEMENT OF SENATOR LEVIN

Thank you Mr. Chairman for convening this hearing. I have a long history of supporting many of the causes we will discuss today, including funding for breast cancer research and especially organ donation. These are important causes and Congress should support their full funding.

I do not believe, however, that using the U.S. Postal Service's stamp program is an appropriate means to fund these programs. As we all know, in the battle over diseases and other causes, there are often many competing organizations, each promoting issues worthy of our attention. If we use the Postal Service to raise funds to promote one worthy cause over another it will ultimately politicize the issuance of stamps. In 1957, the Citizens' Stamp Advisory Committee (CSAC) was created to take the stamp program out of the political process.

Last year, this Subcommittee held a hearing on the Look, Listen and Live Stamp Act. That stamp would require the Postal Service to issue a semipostal stamp, or a stamp with a tax over the regular rate, to be earmarked for an organization called Operation Lifesaver, a nonprofit organization dedicated to highway-rail safety through education.

Operation Lifesaver is, no doubt a very fine organization, but it is not the only organization dedicated to preventing railroad casualties. In fact, railroad safety advocates are split over the best method to prevent rail-related injuries. Over the last several months, railroad safety organizations have contacted my office to represent their strong disagreement with the Look, Listen, and Live Stamp, primarily because of the emphasis that Operation Lifesaver puts on education, and education only.

Scott Gauvin, President of Coalition for Safer Crossings, wrote: "I personally find Operation Lifesaver spin on education appalling. Three and a half years ago I lost a very dear and close friend of mine at an unprotected crossing in southwestern Illinois. Eric was nineteen . . . When I was in high school I received the same driver safety training regarding grade crossing safety as my best friend Eric did. Eric is

now gone. The funds from this proposed stamp would not have helped him. Now if this stamp would have been around prior to 1996 and funds were allocated to the State of Illinois for hardware and a set of automatic lights and gates were installed at this crossing in question I wouldn't be writing you this letter today. I hope you understand the difference."

So, in the case of this particular semipostal stamp, Congress would be deciding not only to promote one worthy cause among various causes with the issuance of the Look, Listen and Live stamp, but to favor one specific approach and one specific organization over another.

Other than making recommendations or suggestions, Congress should stay out of the stamp selection process. Before Congress authorized the Breast Cancer Research Stamp, it deferred to the Citizens' Stamp Advisory Committee, within the U.S. Postal Service, to review and select commemorative stamp subjects. Congress may advise the CSAC, and many of us to write letters or sponsor Sense of the Senate Resolutions urging CSAC and the Postal Service to issue a specific stamp subject, but we should leave the final decision on the issuance of stamps and the subject of stamps to CSAC, otherwise politics will swamp stamp selection.

We have been waiting for the GAO report to evaluate the costs, the effectiveness and the appropriateness of semipostal stamps as a means of fund-raising.

In the Stamp Out Breast Cancer Act, the Postal Service was directed to deduct from the surcharge revenue the reasonable costs it incurs in carrying out the Act, including those attributable to printing, sale and distribution of the Breast Cancer Research Stamp, but the Act gave the Postal Service the authority to define "reasonable" through regulations. According to the GAO report, in the case of the Breast Cancer Research Stamp, the Postal Service has not yet resolved what costs it considers "reasonable," and has instead used informal criteria which the GAO claims the Postal Service has not applied consistently.

To date, the Postal Service's records show that the bulk of the costs associated with the Breast Cancer Research Stamp are approximately $6 million. There are also nearly $350,000 in costs, identified by the Office of the Inspector General, that the Postal Service did not identify, and additional items, such as staff-related expenses and accounting functions, that the Postal Service considered inconsequential and did not track. Out of all of these costs, the Postal Service has deducted $482,000 of that total amount from the surcharge revenue. In the end, the Postal Service will recoup merely a fraction of the total cost. The Postal Service chose to deduct such a small amount from the surcharge revenue because it considers the Breast Cancer Research Stamp a "blockbuster" stamp, a commemorative stamp with mass appeal, one that will be "highly retained by postal patrons and not used for postage." the Postal Service is therefore able to recover the costs from the remaining 33 cent portion of the stamp.

The GAO report shows while the Breast Cancer Research Stamp has been successful, and I applaud the breast cancer research groups and the Senator from California's commitment to the promotion of this stamp, but the cost-benefit analysis of one semipostal stamp does not necessarily apply to another, nor does it make it an appropriate vehicle for future fund-raising efforts.

All semipostal stamps can not be expected to be "blockbuster" stamps. According to the Postal Service, in the last few years, out of almost 30 stamps issued per year, there are only about 4 or 5 "blockbuster" stamps each year.

There are now a dozen proposals for various semipostal stamps introduced in this Congress alone. If these stamps are not "blockbuster" stamps and the bulk of the costs are not eaten by the Postal Service, as happened with the Breast Cancer Research Stamp, the Postal Service may not be able to turn any money over to the charity or cause. In fact, the issuance of so many semipostal stamps may cost the Postal Service a considerable amount of money with no benefit to charitable causes.

Again, thank you Mr. Chairman for convening this hearing. I look forward to hearing from all of our witnesses today.

Senator COCHRAN. The distinguished Senator from Hawaii, Mr. Akaka, is the Ranking Minority Member of our Subcommittee. Senator Akaka.

STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Mr. Chairman. I join you in welcoming our honored guests and distinguished colleagues.

I am pleased also to have the opportunity today to hear from the Postal Service on its activities relating to the Nation's first

semipostal stamp, the Breast Cancer Research Stamp. I also look forward to Mr. Ungar's testimony, who will review with us GAO's comprehensive report on the Breast Cancer Research Semipostal and the use of semipostals in other countries.

I also want to express my appreciation to Senator Feinstein and Senator DeWine who have taken time from their busy day to speak on behalf of their bills, S. 2386, which would extend the Breast Cancer Research Stamp Reauthorization Act for an additional 2 years, and S. 2062, which would create a new semipostal to raise funds for organ and tissue transplants.

As the GAO report found, the public welcomed the ability to contribute on a voluntary basis to breast cancer research through the semipostal stamp. Although the stamp has been successful in terms of money raised, $12.5 million as of March 24, 2000, the report calls attention to uneven accounting procedures that have clouded the actual additional costs associated with Breast Cancer Research Semipostals. I know the Postal Service has responded to GAO's findings and recommendations and is working on a final cost recovery policy. Obviously, the issuance of semipostals poses certain problems, and I am hopeful that today's hearing will answer some of these concerns and questions.

Again, I thank you very much, Mr. Chairman, for this opportunity and thank you for holding this hearing.

Senator COCHRAN. Thank you, Senator.

Senator Feinstein, you may proceed.

TESTIMONY OF HON. DIANNE FEINSTEIN, A U.S. SENATOR FROM THE STATE OF CALIFORNIA

Senator FEINSTEIN. Thanks very much, Mr. Chairman, Senator Levin, and Senator Akaka. Thank you all for your comments. I make these remarks on behalf of my cosponsor, Senator Hutchison of Texas.

Let me begin by saying this. This stamp, by any standard you use, has been a success. As of May 19, it has raised $14 million. They have sold 191 million stamps. It has an organized community of breast cancer research groups and women all across the United States who support it.

In addition to being a money-making stamp for breast cancer research, it has also, interestingly enough, served another purpose. The stamp has brought to the attention of women across this country, on their letters, the fact that one out of every eight women in this country will get breast cancer. It has raised the awareness about mammography and the need to have mammograms. So, the stamp also has provided good public health service to people.

Now, that would not be enough if it had not produced money and run in the black. The Breast Cancer Research Stamp has substantially run in the black. The GAO is sitting behind me. They will testify on their report on the stamp

According to the GAO report, the Postal Service compared the stamp's cost to those of a blockbuster commemorative stamp. In addition to the normal costs caused by blockbuster stamps, the Postal Service identified an additional $482,000 of costs uniquely attributable to this stamp. But if you subtract that, you'll see the Breast

Cancer Research Stamp, by any quotient of success, has been a success.

Therefore, Senator Hutchison and I implore you to please renew it for another 2 years.

The stamp was actually suggested by an oncologist from Sacramento, California, and interestingly enough Sacramento leads all cities in the purchase of this stamp. His name is Dr. Ernest Bodai. He came here. He suggested the stamp. He campaigned for it. He was joined by the breast cancer community. The stamp was designed by a postal worker who is a breast cancer survivor. It is a beautiful stamp. It is bought at Christmas by women, on Mother's Day by women, and all throughout the year by women and men.

I think one day we will find a cure for breast cancer. This stamp in a sense has become—you have heard of private foundations that give money—this is the people's foundation. This is how people, wanting to make an additional contribution, can contribute to breast cancer research. They simply go out and buy these packets. The Postal Service has packaged them in cellophane in $8 packets. So, people can go out and buy these packets, give them as gifts, use them on their cards, mail in their bills with them, and it is a great idea.

And it has proven itself. Fourteen million dollars has been raised to date, and we feel we are just getting off the ground. Like any new enterprise, it has got to be capitalized. We have more than made up for the initial capitalization. Now the constituency is organized. The stamps are in the post offices. People are buying them and it has been a success.

I would leave it up to you as to how you want to condition this in the future. My own view is that what is really necessary for the stamp to succeed is an aroused and organized community out there. This exists with respect to breast cancer. The cause of medical research is universally accepted as a positive cause.

So, I would say to you in summary, the Breast Cancer Research Stamp offers a way of heightening the public's knowledge about a major problem. It is a way of raising money to solve the major problem. It is a way of groups coming together around the cause. They use stamps as fund-raising mechanisms, for example, for breast cancer research. I think that is good. The stamp is uniquely popular.

So, I would just like to urge that it be authorized for another 2 years. I believe it will continue to make money, and second, I believe it will make money even more strongly than it has in the first 2 years because people are now aware of it, they are buying, they know where to get it, and so on and so forth.

I will not take any more time, Mr. Chairman, but I thank you very much for your consideration. I would ask that my remarks in their entirety be entered into the record.

Senator COCHRAN. Without objection, your remarks will be printed in the record in their entirety.

PREPARED STATEMENT OF SENATOR FEINSTEIN

Thank you, Chairman Cochran, Senator Akaka, and other Members of the Government Affairs Committee for giving me this time to talk about the Breast Cancer Research Stamp.

The primary objective of my remarks is to ask the Committee to report out S. 2386, a bill to extend the life of the stamp by 2 years. Unless the Committee takes action, the Breast Cancer Research Stamp will expire on July 28, 2000—just 2 months from now.

In 1997, I introduced legislation to create a Breast Cancer Research Stamp. This idea originated with Dr. Ernie Bodai, a physician from California. With the help of many Senators and Representatives from both parties, this idea became law in 1998.

Results of Breast Cancer Research Stamp Program: The Breast Cancer Research Stamp has generated enthusiasm from postal patrons across the country. As of May 19, 2000, the U.S. Postal Service has sold 191 million of these semipostal stamps, raising $14 million in surcharge revenue.

So far, the Postal Service has identified $482,000 in costs uniquely attributable to the Breast Cancer Research Stamp program. Thus, the program has generated over $13 million dollars for breast cancer research. Clearly, the stamp has succeeded as a fundraiser.

It is worth noting that the five post offices with the most Breast Cancer Research Stamp sales come from regions as diverse as (1) Turlock, California; (2) Providence, Rhode Island; (3) New York City; (4) Syracuse, New York; and (5) Boston, Massachusetts.

The stamp's impact, however, goes beyond dollars and cents. Each stamp sold adds to public awareness about the toll of the disease. The Breast Cancer Research Stamp serves as a reminder for people to get mammograms and other preventive screenings. Moreover, the stamp has given ordinary citizens a convenient means to contribute in the fight against breast cancer.

GAO Report: Since the Breast Cancer Research Stamp is the first semipostal stamp sold by the U.S. Postal Service, it has received intense scrutiny.

On April 28, 2000, the General Accounting Office (GAO) concluded an exhaustive review of the stamp program. GAO conducted dozens of interviews, and investigated every facet of the program's operations.

In the report, the GAO stated that "on the basis of the collective results of all the measures we used to evaluate effectiveness, we believe the Breast Cancer Research Stamp has been an effective fund-raiser." The report also goes on to assert that "the Breast Cancer Research Stamp has been successful."

Seventy-one percent of the members of the public surveyed by the GAO had positive views of the Breast Cancer Research Stamp, and thought the Postal Service should continue to sell semipostal stamps.

Why the Stamp Should Be Reauthorized: The Breast Cancer Research Stamp deserves reauthorization. The program is working, and it continues to fill a compelling need. Breast cancer is considered the most commonly diagnosed cancer among women in every major ethnic group in the United States. More than two million women are living with breast cancer in America today, yet one million of them have not been diagnosed.

Breast cancer is still the No. 1 cancer killer of women between the ages of 15 and 54. The disease claims another woman's life every 15 minutes in the United States.

More and more people today are becoming cancer survivors rather than cancer victims thanks to breakthroughs in cancer research. According to the American Association of Cancer Research, eight million people are alive today as a result of cancer research. The bottom line is that every dollar we continue to raise will save lives.

Reauthorization Bill has Strong Bipartisan Support: S. 2386, legislation I have introduced with Senator Kay Bailey Hutchison to reauthorize the Breast Cancer Research Stamp has 57 cosponsors, and enjoys broad, bipartisan support.

S. 2386, the Breast Cancer Research Stamp Reauthorization Act of 2000, would permit the sale of the Breast Cancer Research Stamp for 2 additional years. The stamp would continue to cost 40 cents and sell as a first-class stamp. The extra money collected will be directed to breast cancer research at the National Institutes of Health and the Department of Defense.

The legislation is a straightforward extension of the current Breast Cancer Research Stamp program. It simply extends its life by 2 years. It has no gimmicks or changes.

Numerous organizations support the reauthorization of the stamp, including the American Cancer Society, the American Medical Association, the American Association of Health Plans, the Susan G. Komen Breast Cancer Foundation, Y-Me National Breast Cancer Organization, the Women's Information Network—Against Breast Cancer, and many others.

Conclusion: I would like to close with the following message. The Breast Cancer Research Stamp is an example of a government and public partnership that has

worked. It lets ordinary Americans join in the ongoing struggle against cancer. I urge you to help me in saving this successful program from a premature end.

The Committee has my thanks for being willing to consider my views.

Senator COCHRAN. We thank you very much for your assistance and the information you have provided to the hearing.

Senator DeWine.

TESTIMONY OF HON. MIKE DEWINE, A U.S. SENATOR FROM THE STATE OF OHIO

Senator DEWINE. Mr. Chairman, thank you very much for holding this hearing today. I appreciate the Subcommittee's time, Senator Levin, and Senator Akaka.

I would like to talk about two things. One, I would like to talk about S. 2062, which is the bill that Senator Durbin, Senator Cleland, Senator Lieberman, and I have introduced with others. Then I would like to talk about some of the issues that Senator Levin has raised, that you have raised, and that Senator Akaka has raised about the whole issue of semipostal stamps and how we should approach the issuance of such stamps. I think there are some very good questions that we, as a Congress, have to look at.

The issuance of an organ and tissue semipostal stamp will increase public awareness about the importance of organ and tissue donation, and this in turn, Mr. Chairman, will help save lives. As you know the National Transplant Waiting List, the list for those needing organs, grows by one person every 16 minutes. Right now in this country, 68,000 people are on that list.

Most distressing about all this, though, is that we have the technology and the ability to save the lives of those on the transplant waiting list, but we simply lack the organs. The reality is that many people on that list will die waiting for an organ. We lack organs, Mr. Chairman, Members of the Subcommittee, because most Americans are simply unaware of the lifesaving difference they can make by choosing to become organ donors. We lack organs because too many family members, when faced with the most difficult time in their life, the sudden loss of a loved one, do not know what to say when the doctor comes out and says, can we use your brother's, your sister's, your daughter's, or your son's organs to be transplanted? Most people have never thought about it, Mr. Chairman.

What this stamp would do is bring public awareness to this issue. Senator Feinstein, whose bill I happen to support, has talked about a constituency that supports breast cancer research. Mr. Chairman, there is a broad constituency ready to buy this organ donation stamp and to help spread the word. It is a constituency and a group that is growing and growing by the day. They are organized and they have done a fantastic job.

Mr. Chairman, one way to remedy this organ shortage, as I have said, is through the creation of a new organ and tissue donation semipostal stamp which would by itself increase public awareness as it moves through the mail. The new stamp we have proposed would sell for up to 25 percent above the value of a first-class stamp, regardless of the price of the first-class stamp itself, and the revenue generated over and above the value of the stamp would go to the Department of Health and Human Services to help fund organ donor awareness programs. Many of these programs already

exist. They are out there to spread the word, to increase organ and tissue donation awareness.

This stamp, an organ and tissue donation stamp, was issued as a commemorative stamp, and in the very short period of time that it has been available on the market, it has sold 47 million stamps. It has only been on the market a short period of time when you consider the fact that within 5 months of issuance the postage rate increased, and people have had to buy that stamp and then add an additional 1 cent stamp. But I think it demonstrated clearly the constituency for a stamp like this.

If we are going to issue another stamp to bring the public awareness to this issue again, it has to be in this manner because the Postal Service's policy is not to reissue commemorative stamps.

Let me, though, turn now away from my bill to some of the specific questions that I think this Subcommittee has to look at, and that is the whole issue of the semipostal stamps. I believe that these stamps can be a great tool for informing the public about important issues. Senator Feinstein has done a wonderful job just describing how successful her stamp program has been for breast cancer research, and I will not go through those details. Let me just say, Mr. Chairman, that I believe that this is a way that the general public, stamp by stamp, person by person, in a very grassroots way, a very real way that everybody in this country can participate in, can help a given cause.

I understand that this Committee is now looking at a number of different bills, and the tendency might be to say, let us just throw up our hands and let us say, look, we really do not want to be in this business. We really do not want to do this. Let us just not do anything. Let us not reissue the Breast Cancer Research Stamp. Let us not look at any of these other stamps. Let us just stop it because we really cannot, for all the reasons that Senator Levin has mentioned, choose between causes.

I think that inaction would be wrong, and I think it would be a mistake. I think that this is something that clearly the Postal Service can handle. They can handle it by maybe changing some of their procedures, some of the problems they had with the last semipostal stamp. But they went through a learning process. They can handle this.

The sale of semipostal stamps can generate a significant amount of money for a good cause and can enlist the direct participation on a grassroots level, like nothing else can, from every average American, from a little 5-year-old who walks in with his mom and dad to buy a stamp, to an 85-year-old man or woman who is sending out Christmas cards. Everyone can participate.

I do not know how you make the decision about which stamps to approve. Senator Levin has talked about maybe turning it over to the Postal Service. That certainly is one way of doing it, with certain standard criteria to be established either by the Postal Service or by this Congress. I am comfortable with that.

I am also comfortable, Mr. Chairman, with this Committee making the decision, to decide upon a yearly basis to issue one or two stamps, and if the stamp that I have proposed happens to make it, I will be very, very happy. I think that it is something that will save lives. I think it will have a direct impact. If it is not, I would

hope that you would choose some stamps and set some policy to establish a process for the authorization of semipostal stamps.

I just think it is a very positive thing. It is something that the people in this country can participate in, and I think it would be a shame if we turned our back on this and said, well, because of some of the difficulties in making the selection or because of some of the difficulties in administering this, we just do not want to do it. I think it is an opportunity. We should not let the opportunity go. We can issue one or two stamps a year. We can provide a great deal of money for a good cause and we can help people participate in that cause.

I have a written statement I would like to submit for the record. I thank the Chair and I thank the Members of the Subcommittee.

Senator COCHRAN. Thank you very much, Senator DeWine. Your full statement will be printed in the record.

PREPARED STATEMENT OF SENATOR DEWINE

Thank you, Chairman Cochran and Ranking Member Akaka, for inviting me here today to testify. I would like to take this opportunity to encourage all the Members of the Subcommittee to support the bill that Senators Durbin, Cleland, and I have introduced to authorize the creation of an organ and tissue donation semipostal stamp. I would like to discuss the merits of this particular stamp and then talk about the importance of semipostal stamps in general.

The issuance of an organ and tissue semipostal stamp will increase public awareness of the importance of organ and tissue donation—and this, in turn, will help save lives. As you may know, the National Transplant Waiting List—the list for those needing organs—grows by one person every 16 minutes. Right now, over 68,000 people are on that list.

Perhaps most distressing about all of this is that we have the technology and ability to save the lives of those on the transplant waiting list—but we simply lack the organs. We lack organs because most Americans simply are unaware of the life-giving difference they can make by choosing to become organ donors. We lack organs because too many family members, when faced with the sudden death of a loved one, don't know what to say when asked to donate that loved one's organs. If more families would discuss this before tragedy strikes, I am convinced that this vast majority of people would say "yes" to organ donation.

One way to remedy this organ shortage is through the creation of a new organ and tissue donation semipostal stamp, which would, by itself, increase public awareness and also generate considerable revenue through its sale. The new stamp we have proposed would sell for up to 25 percent above the value of a first-class stamp, regardless of the price of the first-class stamp itself. And, the revenue generated over and above the value of first-class postage—known as surcharge revenue—would go to the Department of Health and Human Services to help fund programs that increase organ and tissue donation awareness.

Let me now turn from my specific bill to a general discussion about semipostal stamps. These stamps can be a great tool for informing the public about important issues. Just look at the example of the Breast Cancer Research Stamp. This stamp has been an extreme success. The U.S. Postal Service estimates that due to its great demand, the Breast Cancer Research Stamp already has generated $12.9 million in surcharge revenue, with $10.4 million being transferred to the National Institutes of Health and the Department of Defense for breast cancer research. This has been a tremendous success and I am confident that other semipostal stamps can do equally well. These stamps are a valuable, simple, easy, grassroots way for Americans to support very important causes. They offer Americans a great opportunity to participate in the promotion of issues they care passionately about.

So that we may move forward on the creation of other semipostal stamps, the U.S. Postal Service simply needs to apply consistent criteria to determine how they can recoup any "reasonable" costs associated with the designing, printing, marketing, advertising, and distributing of such stamps. The last thing we should do is let "process" concerns stand in the way of creating stamps that have proven to be successful both in raising public awareness and in generating much-needed research and awareness dollars.

But, I do recognize that organ and tissue donation is not the only important issue that merits the creation of a semipostal stamp. There are a lot of competing proposals out there. What is important here isn't so much whether the Committee decides to issue any specific semipostal stamp, but that it decides to establish a fair process for authorizing one or two semipostal stamps each year for important causes.

I strongly recommend that Congress acts to require the Postal Service to issue one or two semipostal stamps each year. We should not let bureaucratic concerns undermine the importance of creating semipostal stamps. As long as the Postal Service is fairly compensated for the costs they incur and a fair and consistently applied formal cost recovery process is established, we should move forward with authorizing additional semipostal stamps.

Senator COCHRAN. We appreciate very much your taking time to be with us. Actually, this hearing was at your request, I think, for favorable consideration of your amendment on another bill that was being considered by the Senate. We suggested a hearing on the subject to look at the ramifications of continuing to approve or reauthorize the semipostal stamp that we already had. So, you have been the catalyst for focusing attention on this issue at this time.

Senator Frist has a piece of legislation I think you were going to add this as an amendment to. That is still a possibility because that legislation has not moved through the Senate yet, as I understand it. Is that correct?

Senator DEWINE. That is correct, Mr. Chairman.

Senator COCHRAN. So, this is a timely hearing. I know you have other responsibilities. We all have to go over and vote in just a little bit on some amendments on the Senate floor, so we will have to take a break.

I do not have any specific questions, except to thank you, as I did Senator Feinstein, for being available to us and helping us understand the proposals that you have authored.

Senator DEWINE. Thank you, Mr. Chairman.

Senator COCHRAN. Senator Levin.

Senator LEVIN. Let me add my thanks to Senator DeWine for his typically thoughtful approach to an issue.

I do not know if you have had a chance to review the Postal Service's position on this. The Postmaster General has taken the position that the Breast Cancer Research Stamp, the semipostal stamp, should not be followed by any additional semipostals for reasons that he sets forth in his letter to us. Have you had a chance to look at the Postal Service's opposition to any additional semipostals?

Senator DEWINE. Mr. Chairman, I have a summary and I have not looked at the full testimony in detail, but I would have a comment, based on the summary at least if, Senator Levin and Mr. Chairman, you would permit me.

Senator LEVIN. Sure.

Senator DEWINE. I do not want to be disrespectful to the Postal Service. I think we should take into consideration what they have to say, but I think ultimately it is Congress' decision. This is a public policy issue. I would have expected, quite candidly, that the Postal Service would oppose this. This is asking them to do something that they look at as not in their purview, something that they have not done in the past. It is probably an inconvenience, maybe a little hassle. But I think that it is our decision, as a Congress, to make.

And I think that we need to look and see how difficult it is for them to do this. Maybe they had some difficulties the first time. The GAO has outlined some things that the Postal Service should probably change in the future. But, you know, they can do it. They are doing a good job. The Postal Service is more efficient today than it has ever been in the history of this country, contrary to what we sometimes hear when mail does not get delivered. They are doing a good job. There is no reason they cannot handle this on a limited basis, one stamp every year or whatever you all decide to do. They can do it. It is just something that they can get done.

And they can charge a reasonable surcharge. They can figure out what their costs are. Maybe we need to do a better job figuring out what their actual costs are, and when we authorize a semipostal stamp, know how many that the Postal Service has to sell before they are really going to make a profit. Obviously, when you pick the semipostal stamp, it does have to be something where there is a constituency, where you clearly have a pretty good idea you are not going to lose any money.

But, Senator Levin, I just think that it is our job to make that decision. I would have expected them—and I mean no disrespect at all—to look up and say, look, this is not our job. We are not in the charity business. I just think they can do it and I think it is something they can do without a great deal of hassle. And it is something that will contribute to the common good, and I think we ought to make the decision for them to do it.

Senator LEVIN. By the way, I do not think there is any doubt that the Postal Service would agree this is our decision, that we can issue semipostals if we want to. That is not the basis of their opposition. The basis of their opposition is mainly the picking and choosing issue, the politicization of charitable selection.

Senator DEWINE. And I understand that, but Congress can pick and choose which semipostal to authorize.

Senator LEVIN. Is there not a constituency for AIDS research, diabetes research, Alzheimer's disease, prostate cancer research, and the World War II Memorial?

Senator DEWINE. Senator Levin, absolutely.

Senator LEVIN. Would you not agree these have strong constituencies?

Senator DEWINE. Absolutely. Let me just say, as I said, I am comfortable with you turning it over to a commission that you want to establish. I am comfortable with you turning it over to the Postal Service. I am comfortable with Congress making the decision.

My guess is—and I will be willing to bet—if you took every bill and every constituency and put them in a room and, say, there are 20 or 30 or 50 or 100, and you said to them, OK, here is the deal—we can either not authorize any semipostal stamp at all or we can pick one a year. What do you want us to do? To a person, to a man, to a woman, they would say pick one. Because these are not people who are saying ours is better or more important. These are people who say ours is important, and I have been touched by it and I lost a mom or a dad to this and it is important. But if it is a question of not doing it at all or doing it and making some rational choice—and that is what all of us in public policy get paid to do is make

tough choices every day—I think every one in that group, if there is 100, would say do it. Make a choice—99 lose, 1 wins—do it.

Senator LEVIN. There is a second issue, though, which you have pointed out and that is, the way in which who makes the choice and whether we ought to leave this decision to a stamp advisory group that is a little more separated from politics.

By the way, there is no doubt in my mind at all that the cause that is reflected in your stamp is an incredibly important cause.

Senator DEWINE. Right, and I know you have been involved directly.

Senator LEVIN. I walk around with a driver's license that says, if I am killed in an automobile accident, take any organ which is available. There is no doubt that this is an extremely important cause. And I want to commend you and many of our colleagues for the involvement in that cause and so many other causes that many of us are involved in. Thank you.

Senator COCHRAN. Senator Akaka.

Senator AKAKA. Thank you, Mr. Chairman. I want to thank Senator DeWine for his statement.

Senator DEWINE. Thank you, Senator.

Senator AKAKA. I thank you very much.

Senator DEWINE. Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator DeWine, again for your help with our effort here this morning.

Our next panel of witnesses will include Deborah Willhite, who is Senior Vice President for Government Relations and Public Policy of the U.S. Postal Service, and Bernard Ungar, who is Director of Government Business Operations Issues of the U.S. General Accounting Office. We welcome you to the hearing, and we invite you to introduce those who are accompanying you today. Ms. Willhite, we will proceed to hear from you first.

TESTIMONY OF DEBORAH WILLHITE,[1] SENIOR VICE PRESIDENT, GOVERNMENT RELATIONS AND PUBLIC POLICY, U.S. POSTAL SERVICE, ACCOMPANIED BY JAMES C. TOLBERT, JR., EXECUTIVE DIRECTOR, STAMP SERVICES, U.S. POSTAL SERVICE

Ms. WILLHITE. Thank you, Senator Cochran. Joining me today is James Tolbert. He is the Executive Director of our stamp program.

We are honored to represent the Postal Service today. The Postmaster General is unfortunately out of town and could not join us. He sends his greetings to you, Senator Levin, and Senator Akaka.

The Postal Service has submitted testimony that I would like printed for the record, and I will just give you a brief background on what our position is.

We have enjoyed the success of the Breast Cancer Research Stamp and believe that we have had a great community of support and it has been very successful in the cause that the Congress set for us. But we do not believe that we should continue to print semipostal stamps.

[1] The prepared statement of Ms. Willhite with attachments appear in the Appendix on page 29.

We are working to finalize the regulations and have been working with GAO and the Office of the Inspector General to make sure that we do the cost accounting that has been in question for everyone.

But we think that there is a dilemma for us to continue to do semipostal stamps.

First of all, it is not part of our core mission. Fund raising is not part of our core mission, and it does distract from it to some degree.

Second, the choice of stamps and the causes, which has already been alluded to this morning by the other Senators and yourselves, is a very difficult one and we do not believe we are in the position to make those decisions. And if you did decide to move on to having semipostals directed to the Postal Service in the future, we would hope that Congress would make those choices.

Finally, the philatelic community has been very averse to the issuance of semipostal stamps. They believe that it is a tax on their particular hobby and it dilutes the quality of the stamp program.

For those reasons, we would officially be against any future semipostal stamps, but of course, if Congress directs us to do anything, we will do it to the best of our abilities and be as successful as possible. Thank you, Senator.

Senator COCHRAN. Thank you, Ms. Willhite. Mr. Ungar.

TESTIMONY OF BERNARD UNGAR,[1] DIRECTOR, GOVERNMENT BUSINESS OPERATIONS ISSUES, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. UNGAR. Thank you, Mr. Chairman, Senator Levin, and Senator Akaka. We are certainly pleased to be here today to discuss our review.

I am accompanied on my right by Gerald Barnes, our Assistant Director, who is responsible for overseeing our work here, and also by our two team members, Roger Lively and Charles Wicker. I also have with me one of our other Assistant Directors, John Baldwin, who has overseen our work in the past on commemorative coins which have some relationship and similarity to semipostal stamps.

I would like to summarize the work that we had done that was mandated by statute, as well as point out a few of the lessons we learned from our prior work on the commemorative coin program.

The Stamp Out Breast Cancer Act required GAO to address three issues, which we have done. The first one was the appropriateness of using the stamp as a fund raiser. The key effort that we undertook in this regard was to sponsor a study of the American public, adults 18 years or older, about a year after the stamp was issued, and basically about 70 percent of the public would say that it is appropriate for the government or the Postal Service to use semipostal stamps to raise funds. In other words, they believe that this was an appropriate function to be performed.

Most of the stakeholders that we interviewed regarding the Breast Cancer Research Stamp believed that it was an appropriate function for the Postal Service to undertake. As you know, the Postal Service was not among that group; nor were stamp collec-

[1] The prepared statement of Mr. Ungar appears in the Appendix on page 42.

tors. We certainly do agree with the Postal Service that using a stamp as a fund raiser is not within its basic mission, and it would need specific, separate authorizing legislation in order for it to do so under law.

Interestingly, the stamp collectors were quite concerned about this, initially. However, in commenting on our draft report, they pointed out that if a mechanism or selection process could be established which they considered to be fair, and a relatively small number of semipostal stamp issues could be selected at any given time, they would not be as opposed to semipostals.

The second issue that we addressed was the effectiveness of the semipostal as a fund raiser. Here we looked at three criteria:

First, did the semipostal raise money for breast cancer research? Obviously, it raised a substantial amount of money. It raised over $10 million as of the time that we had issued our report and, as you heard, the semipostal is expected to raise about $14 million in total. So, it certainly raised a substantial amount of money that has been given or will be given to the National Institutes of Health and the Department of Defense.

Second, was the semipostal a convenient mechanism for the public to contribute? Here again we found it was. It was to be available in all post offices, some postal vending machines and some special events. In addition, about 68 percent of the public believed that the use of a stamp is a convenient way for them to contribute to a designated cause.

Third, was the semipostal voluntary? Obviously, it is because people have other stamps to choose from if they do not want to purchase a semipostal stamp.

Another issue that we addressed was the most problematic, and that is the monetary resources used to develop and sell the Breast Cancer Research Stamp and the reasonable costs associated with that stamp that were to be recouped from the surcharge revenue. Here we broke that down into two components.

First, how much did it cost the Postal Service to do this? Unfortunately, the total cost is not known because the Postal Service did not establish a separate accounting system or modify its existing accounting systems to completely capture all the costs. This is not necessarily a major issue or problem in our view because the Breast Cancer Research Stamp was considered to be a one-shot deal, and it would have cost the Postal Service a great deal of money to establish a separate accounting system or make substantial modifications to existing accounting systems. So, that in and of itself, the fact that it did not do that was not a major problem.

The Postal Service did identify 18 categories of costs which it did track. So, I think that was certainly a positive thing that the Postal Service did. And through that mechanism, the Postal Service identified about $5.9 million in costs through December 1999 that it had incurred.

Now, that was not all the costs. The Inspector General identified about $348,000 in additional costs which it believed should be reported as program costs, although the Postal Service disagreed with that. And I do not believe it has been resolved. Maybe it has by now. It had not been resolved as of the time that we issued our report. There are different philosophies of how one counts costs

here, and I think it depends upon one's philosophical approach as to how one would come out on that.

Of the $5.9 million that the Postal Service did identify and agree to as being costs, about $482,000 was the amount that the Postal Service identified that it thought should be recaptured from the surcharge revenue, meaning that these were the costs it believed were uniquely attributable to this stamp. And the remaining $5.4 million of its costs, the Postal Service believed, was recaptured by the basic 33-cent cost that you would normally pay for a regular stamp.

The real issue that we had here was that the law required the Postal Service to issue regulations defining the criteria that it was to use to determine the amount of cost it would recapture before turning over the revenue to DOD and NIH. Unfortunately, the Postal Service did not issue those regulations. During the course of our review, it had what we would consider or call an evolving set of criteria. In other words, it changed its criteria for recapturing costs several times. It was a little difficult for us to nail down the criteria that was used. So, we did recommend that the Postal Service promptly issue these regulations that would specify the criteria it was to use. It has agreed to do that and I believe plans to do that by July 28, 2000.

In addition, we recommended that the Postal Service provide data and analysis to show how it is recapturing some of these $5.4 million in the basic 33 cent cost of the stamp. In other words, it was not clear to us how the Postal Service was recapturing this $5.4 million. We are not saying it was not recapturing it. It just never provided the data that would show us what portion of that 33 cents covers the development and selling costs of the stamp. So, we just did not see that. We think it would be important for everybody involved in this issue to be able to see that and be able to feel comfortable that, yes, these costs are being recaptured, that people who do not choose to buy this stamp are not subsidizing the stamp.

In addition, we pointed out that if Congress has some concern about how the Postal Service is defining reasonable costs, then it might want to specify in legislation either the criteria that are to be used or the specific costs that are to be recaptured.

Finally, I would just like to mention a couple of key points that we learned from our previous work on commemorative coins, which is a similar type of issue. The U.S. Mint coin program goes back quite a while and we reported in 1996 that the Mint had actually lost money on some commemorative coins, and there were a number of reasons for that.

First, the Mint sponsored a lot of commemorative coins, some of which were not popular and did not sell well.

Second, there were too many commemorative coins on the market at one time. They literally saturated the market and the coin collectors just did not want to buy that many commemorative coins at the same time.

Third, the Mint was turning over the revenues from commemorative coins, in effect, before it knew whether it made money or not. So, it was actually turning money over to the sponsors of these

coins or the beneficiaries of these coins and actually losing money at the same time.

Those were some of the key things that we wanted to point out. We would certainly be happy to address any questions that you might have.

Senator COCHRAN. Thank you very much. We appreciate your efforts to acquaint us with the findings of your report and also the opinions and views of the Postal Service on this semipostal stamp issue.

Let me ask a question, Ms. Willhite, about the commemorative stamps that the Postal Service issues. Now, we do not, as a Congress, authorize any specific commemorative stamp to be issued by the Postal Service. The Congress recognizes the Postal Service as an independent service, and those decisions are made by the Postal Service. Tell us how that process works and whether or not that would offer a way to select stamps that are specially issued with a surcharge as well?

Ms. WILLHITE. The Citizens' Stamp Advisory Committee was set up in 1957 to advise the Postmaster General on the stamps to be issued several years in advance. It has criteria that it has set down through its processes. One of the different rules states that no person can be on a stamp until they have been dead for 10 years, except for Presidents. And they have other criteria to try to keep the stamp program collectible, commemorative, reflecting the culture and the history of the country, and those sorts of things.

One of their criteria is also that they will not authorize any semipostal stamps because they have a commitment to the philatelic community. So, they have historically been on record as being against semipostal stamps as a part of the commemorative stamp program.

They do, as Senator Levin pointed out, put a layer between the political and marketing pressures that would be on the Postal Service and act as a filter. They get some 50,000 requests for different stamp issuances every year that they select from and suggest stamp programs 2 to 3 years out so that we have adequate time to get economies of scale in printing and that sort of thing.

Senator COCHRAN. How many commemorative stamps are normally issued in a year?

Ms. WILLHITE. Normally 35 to 40.

Senator COCHRAN. And how many regular kinds of stamps do you also issue?

Ms. WILLHITE. Ten to 15 definitive stamps. Definitive stamps are the ones that are in the booklets, in the machines. I always bring up the berries.

Mr. TOLBERT. The work horses.

Ms. WILLHITE. They are the work horses. The flag stamps, those that are renewed year after year.

Senator COCHRAN. What kind of expense is attributable to the issuance of commemorative stamps? Do you keep up with that in any way in terms of costs?

Mr. TOLBERT. Mr. Chairman, relative to the commemorative stamp program, what we do is track the costs of printing stamps, all the costs in terms of the retail vending applications that take place, and much of the same costs that are right now being tracked

by the semipostal that the Postal Service has been able to identify and track within a reasonable and short window of time since the launch of the semipostal stamp.

So, basically we are able to track the costs of design, costs of the process of the Citizens' Stamp Advisory Committee, the costs of printing those stamps, any marketing initiatives associated with that particular stamp, whether it is promotion or the price associated with that stamp, as well as what we project in terms of consumer demand against the stamp.

Senator COCHRAN. There was some question the GAO had about the efficacy or reliability of your cost analysis in the case of the semipostal stamp for breast cancer research. What is your reaction to that suggestion? Are you comfortable with the fact that you identified the costs and that it is a reliable figure so that we could assume that those funds that are said to have been cleared, the difference between the gross receipts and the net, would be fairly accurate?

Ms. WILLHITE. In the course of the GAO study and the Office of the Inspector General analysis of the program, we have come to some moderation of what we thought we should be assigning costs to. This has been a learning process. It has been an evolving process. But we are comfortable with where we are on the stamps' attributable costs at this point in time.

Senator COCHRAN. And the bottom line conclusion is that the Breast Cancer Research Stamp did generate substantial funds for breast cancer research. It was successful in that regard. There is no question about that. Is that correct?

Ms. WILLHITE. It has been incredibly successful. It has had a wide community of support. Senator Feinstein, Senator Hutchison—the members have continued to propel it forward. It has been a very unique grassroots movement. Not many subjects that you would put on a stamp could have the broad support that the Breast Cancer Research Stamp has enjoyed. Just this past Mother's Day, there was a huge initiative to sell the stamps. We are getting ready to have the Race for the Cure here in Washington, and again they will promote the stamp as part of the Race for the Cure. So, it continues to have a very big grassroots support behind it.

Senator COCHRAN. Senator Levin, I am going to stop my questioning at this point and let you ask whatever questions you would like. We probably are going to have to go over and vote pretty quickly. So, we will recess and go over and vote when the second bells ring.

Senator LEVIN. Thank you, Mr. Chairman.

There is a huge community, and properly so, in support of breast cancer research. There's also very strong community support and very well organized for a number of other important causes, including organ and tissue donation, and AIDS research. Is there any doubt in your mind that there is a very strong, organized community in support of funds for AIDS research? I am part of that community supporting funds and I feel its strength. Diabetes research I am personally familiar with—very actively involved in seeking funds for diabetes research. Is there not a strong community sup-

port for diabetes research? Are you able to say that one of these commemoritves is not as strong as another?

Ms. WILLHITE. The breast cancer community uniquely surrounded the stamp from conception and continues through this day and has been very, very unified in including the stamp as a part of all their activities and promotion. I do not know whether the AIDS community or the diabetes community would have the same outpouring.

Senator LEVIN. You just do not know that.

Ms. WILLHITE. We just do not know.

Senator LEVIN. All right, but it could be.

Ms. WILLHITE. It could be.

Senator LEVIN. The same with prostate cancer, it could be, could it not?

Ms. WILLHITE. It could be, yes, sir.

Senator LEVIN. This Committee has approved already another semipostal stamp. And let it be clear to everybody we are not talking about whether a stamp be issued as a commemorative stamp. It is the surcharge which is the issue here. I think there has been a little confusion about that. There is no doubt that stamps have a huge educational value, but that is a separate issue and it is apart from the surcharge question.

We approved a stamp recently, a semipostal stamp that will generate funds for Operation Lifesaver, a nonprofit organization dedicated to highway rail grade crossing safety. Now, I voted against that semipostal even though it was the Majority Leader's bill, who we all have tremendous respect for. I am just as much, I hope in favor of railway crossing safety as anybody else, but I just think when we start walking down that road, that we are going to find ourselves in an impossible position I am afraid of saying that diabetes comes ahead of Alzheimer's or after Alzheimer's or one railway crossing approach comes ahead of another.

I got a letter from another group on railway crossings, and I am going to ask that it be made part of the record, Mr. Chairman. Is that OK?[1]

Senator COCHRAN. Absolutely.

Senator LEVIN. This letter is from the Coalition for Safer Crossings, and the group says the following: This person, the president of the organization, opposes the stamp that we approved for the railway crossing safety cause. This person says. "I personally find Operation Lifesaver spin on education appalling." That is the group that was going to get the funds, a nonprofit, but private group that was going to get the funds. "Three and a half years ago I lost a very dear and close friend of mine at an unprotected crossing in southwestern Illinois. Eric was nineteen. I fought to close the crossing where Eric was killed and since helped many families after the loss of a loved one through my organization, the Coalition for Safer Crossings."

"I personally and professionally oppose the measure that the Senate passed. When I was in high school I received the same driver safety training regarding grade crossing safety" as his best friend Eric did, he writes. "Eric is now gone. The funds from this

[1] The letter of the Coalition for Safer Crossings appears in the Appendix on page 53.

proposed stamp would not have helped him. Now if this stamp would have been around prior to 1996 and funds were allocated to the State of Illinois for hardware and a set of automatic lights and gates were installed at this crossing in question I wouldn't be writing you this letter today."

In other words, this group favors putting in lights and gates at crossings, very much opposing the semipostal stamp we approved because that money was allocated to another group which favors education. I very much worry about the Congress making these kinds of decisions.

And by the way, before the Postal Service created a Citizens' Stamp Advisory Committee to take this process out of politics, here are some of the stamps that were issued when political pressures were brought to bear: A stamp honoring the steel industry, the trucking industry, the railroad engineers, American bankers, the American turners, the poultry industry—and I have got to be careful here because I know I am getting close to home. [Laughter.]

Now, I love every one of those groups, just for the record. [Laughter.]

I just want the record to be absolutely clear. I favor their work. I am all for them but I just think we have got to try to separate these crucial decisions on where funds go from a political process. I am afraid that once we go down the road that we have started, unless we get a barrier there of some kind of a mechanism to shield this from a political process, we will be making the wrong decisions. Is it education relative to railway crossings or is it lights and gates relative to railway crossings or neither? And by the way, I have to tell you, I would put diabetes, Alzheimer's, AIDS, and a number of other causes ahead of that one, although that is an important cause. But that is not really what I think the Congress is all about.

Thank you, Mr. Chairman.

Senator COCHRAN. The Subcommittee will stand in recess. We will return as soon as possible from our voting on the floor.

[Recess.]

Senator COCHRAN. The Subcommittee will please come to order. Thank you for your patience during the votes that we had to cast on the floor of the Senate.

We have an opportunity now to complete our hearing and we appreciate very much the Postal Service representative, Ms. Willhite, and Mr. Ungar from the General Accounting Office being here to help us understand the implications of this legislation on the issuance of semipostal stamps by the U.S. Postal Service.

Mr. Ungar, you mentioned in your statement that you believe there are similarities between the semipostal stamp program and the commemorative coin program. That is the program operated by the U.S. Mint. As I understand it, GAO examined the commemorative coin program and found as the number of commemorative coins increased, the sales for each coin decreased. Would you elaborate on this for us and tell us whether you believe the success of any future semipostal stamp would be affected if more than one semipostal stamp were authorized by Congress?

Mr. UNGAR. Yes, Mr. Chairman. Obviously, it is impossible to predict precisely what would happen, but it certainly was the case

several years ago, before the commemorative coin program was restructured and reformed, that there were several commemorative coins on the market at the same time, and an analysis that we did showed that the sales were not as high when you had more than one commemorative coin on the market and that a number of coins did lose money.

Now, there is a slight difference in the program. Typically commemorative coins sold at a much higher value than the face value. In other words, there was a higher surcharge placed on the coin than typically I would think you would have on a semipostal. Nonetheless, I think the experience would point out that at some point you need to be careful. The Postal Service or the Congress might need to really weigh this dilemma of how many different semipostal stamp issues would the public be willing to buy at any one given point in time. I think that would be a fair characterization.

Senator COCHRAN. Let me ask you whether or not you think the stamp surcharge is about the right amount in terms of what the traffic will bear or what the public is willing to pay as an extra surcharge. If they raise it too high, it will diminish the attractiveness of the stamp I would expect. Do you think it is priced about right, or was that part of your analysis?

Mr. UNGAR. No, Mr. Chairman, we really did not look directly at that. We did get some information on foreign postal administrations' semipostals. Some foreign semiposstals carried more surcharge than others. The proper amount of the surcharge would probably be a topic that market research could address. I think if the surcharge was too high, it certainly could affect the number of stamps that are purchased. It is just something I think that would be worthwhile to look into if the Congress is going to authorize either the Postal Service to have additional semipostals or you are going to do it directly.

Senator COCHRAN. Ms. Willhite, what is your reaction to this comparison between commemorative coins that the U.S. Mint has for sale and semipostal stamps? Is there any relevance between the two that we should understand?

Ms. WILLHITE. Yes, sir. We would think that if we had semipostal stamps essentially competing with one another at the Postal Service for sale, that it would diminish the focus on the stamp that would be—if we had another stamp right now being sold against the Breast Cancer Research Stamp, it would probably diminish the Breast Cancer Research Stamp sales and probably not boost the sales of the others.

Also on the subject of the amount of costs for the stamp, we did look into the market research when we came out with the Breast Cancer Research Stamp and found that 35 cents or 40 cents would be what the public would prefer. They seem to like rounded, even amounts on the stamp prices. And we went with 40 cents so that we could continue to contribute as much as possible off of the stamp as the rate went up. Therefore, the stamp remained a viable tool under the criteria that it raise money with the stamp price increase from 32 to 33 cents. So, we think that that is important also.

Senator COCHRAN. What changes, if any, would the Postal Service have to make in its operation if Congress were to issue more semipostal stamps to be sold? Would this affect you in terms of the accounting system that you have or the staffing that the Postal Service would have to have to handle this responsibility?

Ms. WILLHITE. Yes, sir. And I will let Mr. Tolbert comment on this also because he is in charge of the stamp program and would have to put that structure in place.

We have absorbed most of the staffing for the Breast Cancer Research Stamp through our existing resources, thinking that it was a once-in-a-lifetime type occurrence. We did not set up a whole new accounting procedure. We did not set up staffing just for that stamp. If we were going to have an ongoing semipostal stamp program, like our commemorative stamp program and definitive stamp program, we would dedicate financing and accounting and staffing to assure its ongoing success. It would not be easily absorbed on an ongoing basis.

Mr. Tolbert.

Mr. TOLBERT. Sure. Just to extend off of that, Mr. Chairman, it would seem to me that as part of the semipostal proposed legislation, it would require us to set up a separate tracking system and a costing system to track every element associated with a semipostal stamp issuance. So, as a result of that right now, as Ms. Willhite indicated, some of the actions and activities associated with the commemorative stamp program/semipostal were integrated into our work efforts. But when we start talking about design, subject, research, and some of the other activities associated with it, it would seem to me we would have to clearly establish a separate track to account for all costs, whether it is institutional or whether it is attributable cost to that semipostal.

Senator COCHRAN. While it is not the subject of our specific hearing, we are looking at bills that Senators have introduced, and there are several statements we are going to put in the record. For example, a statement from Senator Campbell who has introduced semipostal stamp legislation. Senator Lott's bill was already discussed to some extent by Senator Levin. We have received letters from people commenting about the issue. So, we are going to add to the record comments on these specific proposals.

The American Philatelic Society—when I was doing this, it was called stamp collecting. I do not know how it got so fancy. [Laughter.]

The Women's Information Network—we have a letter and we will include that as well.[1]

But there is also the House bill that has been mentioned. Congressman McHugh is chairman of the companion subcommittee over on the House side, and he has introduced a bill that will reauthorize the Breast Cancer Research Stamp, but create at the same time an alternative mechanism for passing on future requests for this kind of specially issued stamp.

[1] The letters from the American Philatelic Society and the Women's Information Network appear in the Appendix on pages 55 and 57 respectively.

What, if any, would your observations be, Mr. Ungar—I am going to ask both of you—and Ms. Willhite, on that as an alternative to the individually authorized special stamps?

Mr. UNGAR. Mr. Chairman, we specifically did not look into that. Obviously, it would be an alternative that you would want to consider. On the commemorative coin program, there is an advisory committee that has been set up but the actual decisions there as to what coins will be minted are up to the Congress and specific legislation must be enacted; so, the committee is purely advisory to the Congress.

I guess in this case, the Congress would authorize the Postal Service or a committee to make those decisions in terms of what stamps would be produced and sold. I think one issue there might be the criteria that might be used in making that kind of a choice, if the Congress were to delegate that function.

Senator COCHRAN. Ms. Willhite, what is your response?

Ms. WILLHITE. We have looked at Congressman McHugh's bill and there are elements of it that we support. Again, we believe that it would be the role of Congress to choose the subject matter of any stamp that was not a part of the commemorative or definitive series.

Also, Senator, we believe that we would want to have some input on the timing of the stamps. We now have a lead-in time in our commemorative program of up to 2 years in development and 3 to 5 years in the actual roll-out of a stamp. If we were going to have a new semipostal stamp every 6 months, it would be very difficult for us to do that in a cost effective way. So, any legislation that would impact the development of a semipostal act, we would like to talk about some of the technicalities of stamp production that might make it a more successful bill.

Senator COCHRAN. Well, judging from your comments and also the GAO, there is more to this than just meets the eye, rather than to just gloss it over with that kind of analogy or metaphor.

The obligation of this Subcommittee is to carefully consider and review in a thoughtful way the proposals, and I am confident that we will bring that kind of consideration to these proposals that are before the Committee.

There are a number of other questions that we have that we think we should ask and have answers for the record so that we will have a body of facts and information that will enable us to make a decision about whether to report out the bill or not.

I am going to yield to my good friend from Michigan for any additional questions he has and then I am going to submit the others that I have here for the record, along with those that I mentioned. We have statements that will be included. Senator Campbell has introduced this legislation that I mentioned and his has to do with violence against women, domestic violence, and to raise the awareness and funds for dealing with that. We want to have a statement that he has prepared included in the record.

[The prepared statement of Senator Campbell follows:]

PREPARED STATEMENT OF SENATOR BEN NIGHTHORSE CAMPBELL, A U.S. SENATOR FROM THE STATE OF COLORADO

Thank you, Mr. Chairman and Members of this Subcommittee, for holding this hearing today on the issuance of semipostals by the U.S. Postal Service. I am pleased to take this opportunity to testify about my legislation, S. 2044, the Stamp Out Domestic Violence Act of 2000. S. 2044 has 13 bipartisan cosponsors and I thank my colleagues for their support.

The Stamp Out Domestic Violence Act of 2000 will allow postal patrons to easily contribute to the fight against domestic violence through the voluntary purchase of certain specially issued U.S. Postal stamps, generally referred to as semipostals. Proceeds raised from the stamps would fund domestic violence programs nationwide.

Consider the following: A woman is battered every 15 seconds in the United States. According to the Justice Department, four million American women were victims of violent crime last year. Two-thirds of these women were victimized by someone they knew. In fact, 30 percent of female murder victims are killed by current or former partners. In Colorado alone, the Colorado Coalition Against Domestic Violence reported 59 domestic violence related deaths in 1998. We can and must make every effort to change that. But, before we can eliminate the incidence of domestic violence we must acknowledge the problem and identify the resources needed to combat the problem.

Mr. Chairman, I believe S. 2044 represents an innovative way to generate money and raise awareness for the fight against domestic violence. As you know, a recent GAO report calls the Breast Cancer Research Stamp an effective fundraiser. According to preliminary reports, more than 164 million stamps have been sold nationally, raising $12 million for breast cancer research. My bill is modeled after the Breast Cancer Research Stamp legislation, and I am confident it will be just as successful.

Specifically, under the Stamp Out Domestic Violence Act of 2000, the Postal Service would establish a special rate of postage for first-class mail, not to exceed 25 percent of the first-class rate, as an alternative to the regular first-class postage. The additional sum would be contributed to domestic violence programs. The rate would be determined in part, by the Postal Service to cover administrative costs, and the remainder by the Governors of the Postal Service. All of the funds raised would go to the Department of Justice to support local domestic violence initiatives across the country.

In a country as blessed as America, the horrid truth is more women are injured by domestic violence each year than by automobile and cancer deaths—combined. We can no longer ignore this fact for our denial is but a small step from tacit approval. The funds raised by this stamp will represent another positive step forward in addressing this national concern, and I urge the Committee to act favorably on this legislation. Thank you, Mr. Chairman.

Senator COCHRAN. Senator Levin.

Senator LEVIN. Thank you, Mr. Chairman.

Ms. Willhite, first let me ask you a question about the advertising and promotion costs for regular commemorative stamps. My understanding is that the entire annual budget to promote stamps and postal products is $1 million. Is that correct?

Ms. WILLHITE. I am going to let Mr. Tolbert, who actually runs the budget, get into the nitty-gritty with you, Senator.

Mr. TOLBERT. Senator, relative to the advertising and promotion, it is not specifically for a stamp. There are philatelic products which we produce, which you just referenced, and we have basically, from a costing standpoint I would say, for fiscal year 2000 allocated approximately $1 million against costs for philatelic products.

Senator LEVIN. Does that include stamps, the promotion of stamps?

Mr. TOLBERT. Yes, to some degree, because the product is an extension of the stamp. Yes.

Senator LEVIN. According to this memo from Terry McCaffrey, manager of Stamp Development, to Tom Edwards, it says that the

annual budget is approximately $1 million to promote the entire annual program, which is what I think you are saying as well.

Ms. WILLHITE. Yes.

Mr. TOLBERT. Yes.

Senator LEVIN. Now, on this one stamp, on the Breast Cancer Research Stamp, is it not accurate that there was $1.5 million spent in advertising and promotion?

Mr. TOLBERT. Yes, there was in terms of tracking against the semipostal. Just to extend off that for a second, as well as part of, I believe, the Office of the Inspector General's report, there was a difference in the Postal Service and their audit relative to the advertising promotion which, for example, the billboards in Times Square—those were billboards that were part of the overall program, but one of the spots was allocated to promote the Breast Cancer Research Stamp.

Senator LEVIN. Well, if your total budget for promotion and advertising for your entire program, including commemorative stamps, is $1 million, and you have spent $1.5 million on one stamp, then that is clearly a lot different from what you ordinarily would spend to promote a commemorative stamp. It is a lot more than you have ever spent, I guess, to promote one stamp. Is that not true?

Mr. TOLBERT. I would say yes, there was a lot more spent against the semipostal as it relates to the advertising and promotion.

Senator LEVIN. OK, but none of that $1.5 million was used as part of your reasonable costs for reimbursement. Is that correct, Mr. Ungar?

Mr. UNGAR. Yes, sir. The Postal Service did not recoup that money from the surcharge revenues, at least as of yet, and I think the Postal Service did not plan to do that. We would certainly suggest that the Postal Service might want to reconsider its decision.

The concern that we would have is that, while statutorily the Postal Service does have a lot of discretion here, I think the issue is a precedent. This stamp obviously, was quite successful. If the Postal Service should, unfortunately, have a situation in the future where a semipostal stamp is not so successful and does incur a substantial amount of incremental costs like advertising, it could find itself in a loss position. So, I think it might be wise, if the semipostal program is going to continue, that this type of issue really be reassessed.

Senator LEVIN. Why were the promotion and advertising costs for this commemorative not attributed to this commemorative, particularly in light of the fact that they exceeded the entire budget of the entire Postal Service to promote all commemoratives for the entire year or your entire program? Should that not have been attributed to this program? Mr. Tolbert or whoever does the attribution here?

Mr. TOLBERT. Yes.

Senator LEVIN. No, I am sorry. I was not sure whether you make the policy decision or not. If you do, let me address it to you.

Should the cost of the $1.5 million, or part of that, not have been attributed to this stamp as one of the costs to be deducted from the surcharge revenues?

Mr. TOLBERT. Yes, sir.

Senator LEVIN. But it has not yet been done.

Mr. TOLBERT. Not to my knowledge.

Senator LEVIN. By the way, I am not trying to reduce the amount of money that goes to breast cancer research. If you put an amendment on that floor right now asking me would I add $6 million to breast cancer research, you would get an aye from me. OK? So, that is not the issue. The issue here is what we are getting into, what is the road we are walking down, and how are we going to figure this out.

What would be the estimated costs of the Look, Listen and Live Stamp, Mr. Tolbert? Could you give us that? The bill that has passed the Subcommittee and now the full Committee. Have you made an estimate as to what that would cost?

Mr. TOLBERT. I have not, no.

Senator LEVIN. Let us assume that the costs on that were $3 million or $2 million, but that the surcharge produced less than that so that there was actually a deficit. Mr. Tolbert, what then happens? With that stamp, a private foundation is supposed to get the money. It is not even a governmental research program. Would the private foundation then reimburse the government for the loss to the government? Is that part of the program?

Ms. WILLHITE. Under the legislation, if it was the same legislation of the Breast Cancer Research Stamp, if we could not get back our reasonable costs, we would not be able to give any money to the program. I do not know that we would be able to actually charge the program, but it would mean that the stamp would not provide any money to the program.

Senator LEVIN. Well, thank you all. I think there are a lot of questions that this hearing has brought up. I hope, Mr. Chairman, that one of the things we will really look at and ask the Postal Service to review is this other approach where the Citizens' Stamp Advisory Committee or a similar group can fairly and objectively apply criteria without political influence.

If we are going to have more semipostals after the Breast Cancer Research Stamp, those decisions ought to be made by an independent, objective citizens group working with the Postal Service—applying fair criteria so everybody knows exactly what those criteria are.

I hope that we would get a Postal Service response to the bill that authorizes the Postal Service to issue semipostals. If you have not already given us a response to Congressman McHugh's bill, could you give us your response?

Thank you, Mr. Chairman.

Senator COCHRAN. Thank you, Senator.

Let me ask you one final question. This breast cancer research authorization expires in July. So, if the Congress does not act, how do you phase this out? Is it just ended if somebody comes up to the window and wants to buy a Breast Cancer Research Stamp, can they still do that? Do they pay a surcharge? Will it be an automatic commemorative, or if we do not authorize it, what happens?

Ms. WILLHITE. If it is not reauthorized, sir, we will take it off the market. We have a very defined time table for removing stamps from the post offices, and that pull-out process would actually—we would do our first Postal Bulletin notice June 15, that the stamp

was going to expire July 28, 2000, so that we would make sure that all of our clerks and postmasters knew that the stamp was no longer authorized for sale.

Senator COCHRAN. Thank you very much.

Senator LEVIN. May I have one comment, Mr. Chairman?

Senator COCHRAN. Sure, Senator Levin, go ahead.

Senator LEVIN. I think the question of reauthorizing an existing semipostal is a different issue from whether there be additional semipostals. At least in my mind it is. We have got the costs already sunk into this and spent. We have got stamps I presume printed. I think there are still, what, 10 million or 15 million or whatever number.

Mr. TOLBERT. Seventeen point five.

Senator LEVIN. Seventeen point five are already printed. So, I think that is a different issue than whether or not we authorize additional semipostals. At least in my mind it is.

So, my doubts about semipostals in principle are real, but I put that in a different category from the reauthorization of something which already exists and where we have already spent money. I do hope, though, that if we are going to reauthorize, that we would look at this other possibility of having the decisions made on semipostals being made by this group that distances this from political forces which otherwise, it seems to me, are unleashed to nobody's benefit.

Thank you.

Senator COCHRAN. Thank you, Senator.

Thank you, Mr. Ungar and Mr. Barnes from the GAO and Ms. Willhite and Mr. Tolbert. We appreciate your cooperation and your good assistance to our Subcommittee.

The hearing is adjourned.

[Whereupon, at 11:52 a.m., the Subcommittee was adjourned, to reconvene at the call of the Chair.]

APPENDIX

Statement of
Deborah K. Willhite
Senior Vice President, Government Relations and Public Policy
United States Postal Service
before the
Subcommittee on International Security, Proliferation, and Federal Services
Committee on Governmental Affairs, U.S. Senate
May 25, 2000

Good morning, Mr. Chairman and Members of the Subcommittee.

I appreciate this opportunity to discuss the Postal Service's experience with the issuance of the Breast Cancer Research semipostal and to share our thoughts on the future of these fundraising stamps.

I would like to begin by recognizing the outstanding efforts of many thousands of individuals and dozens of organizations that have combined to deliver the results that this stamp has achieved. From the White House to the Congress to the local post office, there has been an incredible grass-roots movement dedicated to finding a cure for breast cancer and that movement has wholeheartedly embraced and supported this stamp.

First Lady Hillary Rodham Clinton helped dedicate the stamp and has been a staunch advocate. Many members of this Congress and their staffs have contributed their time and support. The Susan G. Komen Breast Cancer Foundation and its National Race For the Cure; the Women's Information Network Against Breast Cancer, or WIN ABC; the Revlon Company and its Run/Walk for Women; the YWCA; the American Cancer Society; the Entertainment Industry Foundation, and many other organizations and private companies have been of incalculable support.

I also want to extend my sincere congratulations to postal employees all across the country who have donated their time and energy to promote this stamp and support the cause. Although it represents just a fraction of their efforts, I would like to submit with my statement some samples of the promotional materials they developed to generate awareness and increase sales.

As of the end of April, the Postal Service has sold 182 million Breast Cancer semipostal stamps, generating $12.9 million for breast cancer research. These results are a tribute to all those who expended so much hard work and commitment over the past two years since this stamp was first issued on July 29, 1998.

The General Accounting Office has conducted a thorough study of the Postal Service's experience with the issuance of this first-of-a-kind semipostal stamp. We generally concur with the findings in the report. We are working now to formulate final regulations on our Breast Cancer Research Stamp cost recovery policy, which we will issue by the end of the stamp's sales period on July 28, 2000. Once the sales period closes, we will collect and analyze the final cost data, which we will share with this Subcommittee. We will provide that information to our congressional oversight committees within 60 days after the end of the sales period.

A larger question remains as to whether additional semipostal stamps should be issued. Let me share our thoughts.

First, the Postal Service's involvement in fund raising through the sale of semipostals is an activity outside the scope of our mission as defined by the Postal Reorganization Act.

Second, the success of the Breast Cancer Research stamp does not guarantee the success of other semipostals. Indeed, there has rarely been such a massive and sustained movement for a national cause of this kind. Literally millions of people have been involved in the effort. This would be difficult, if not impossible, to duplicate. And it supports the likelihood that any future semipostals may generate only modest amounts of revenue, while still requiring substantial expenditures of postal revenues.

Third, there is the dilemma of deciding which of so many worthy causes are deserving of support. We need look no further than Congress itself to see the wide variety of health and other public service issues that concern the American people. So far in the 106th Congress, a dozen pieces of legislation involving semipostal subjects have been introduced. Two would extend the Breast Cancer semipostal for another two years. Ten would establish new semipostals. Choosing the most deserving among these causes would be difficult enough, and they are only the tip of the iceberg. The vast majority of causes would, by necessity, be disappointed suitors in any semipostal selection process.

Finally, the philatelic community has voiced concerns about semipostals. Collectors who wish to include all new stamp issues in their sets would be forced to pay the extra fee that goes along with semipostals, even if they do not support the cause. Many in the philatelic community view this as an indirect "stamp tax."

For these reasons, the Postal Service believes that the Breast Cancer Research stamp should not be followed by other semipostals.

Mr. Chairman, that concludes my testimony. I would be happy to respond to your questions.

# # # #

Stamp Services Project Description Form

Project Name: Breast Cancer Research Semipostal Stamp Campaign

Project Description: The objective is to generate semipostal stamp sales of 200 million breast cancer research stamps. The following materials were produced: print ads, point-of-purchase (posters, window clings), field kits, :30 and :60 radio spots, buckslips, and a Times Square billboard.

In-Market Date(s) August - October 1998, May 1999 & October 1999

Target Audience Women 40+, Survivors, Family Members, General Consumer, Relevant Organizations and Corporations

Circulation/# Produced Not Available

Estimated Response Rate Not Applicable

May 1999

Element	Quantity/Circulation	Insertion Date
National Magazine Ads		
USA Weekend	22,000,000	5/10/99
Reader's Digest	15,000,000	6/1/99
Better Homes & Gardens	7,600,000	6/1/99
P.O.P. Support at Retail		
- Poster	33,567	4/19/99-6/20/99
Partnership		
- Revlon Run/Walk for Women	N/A	5/1/99-NY 5/8/99-LA
Times Square Billboard	N/A	5/1/99-5/1/00

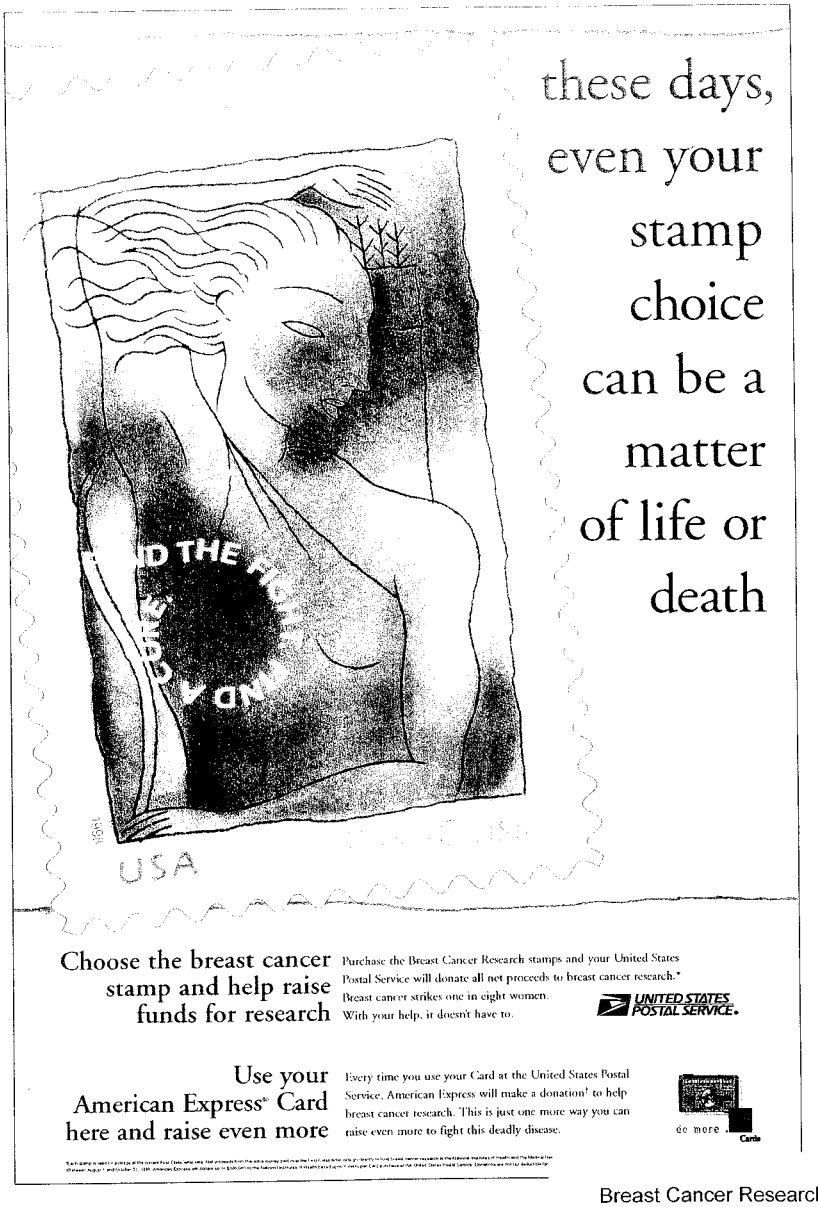
October 1999

Element	Quantity/Circulation	Insertion Date
National Magazine Ads		
Southern Living	2,450,000	9/27/99
Parade	18,509,000	10/10/99
Better Homes & Gardens	7,600,000	10/14/99

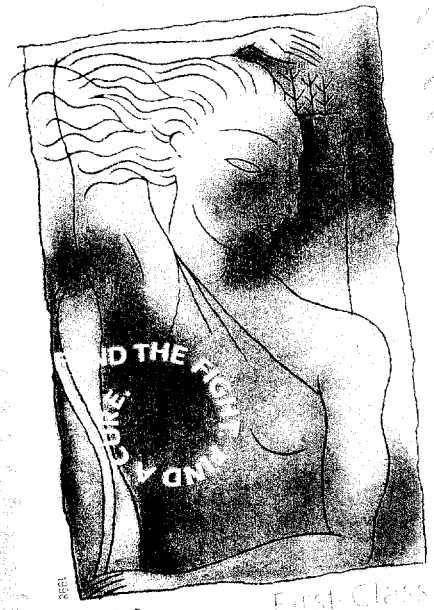
August – October 1998

Element	Quantity/Circulation	Insertion Date
Public Relations	N/A	On-Going
Stampsonline.com	N/A	On-Going
Postal Life Ad	860,000	Sept./Oct.'98 issue
Postal Supervisor Newsletter	45,000	9/98 and/or 10/98 newsletters
NAPUS Gazette Newsletter	35,000	9/98 and/or 10/98 newsletters
Postmasters Advocate Newsletter	30,000	9/98 and/or 10/98 newsletters
Kaiser Permanente Newsletter*	4,000,000	10/98
P.O.P. Support at Retail		8/1-10/31/98
- Poster	67,133	
- Window Cling	35,746	
- Retail Clerk Button	USPS Produced	8/1-10/31/98
USPS Insert for Associations:	10,000	8/98
- American Postal Workers Union		
- National Association of Postal Supervisors		
- Postmasters League		
American Express Insert	5,000,000	8/1-8/31/98
American Express TVC**	3,100,000	8/1-10/31/98
National Magazine Ad		
- TV Guide	13,000,000	10/24/98
- People	3,250,000	10/26/98
- Better Homes & Garden	782,000 (Midwest Region)	10/98 Free 1/3 page
Field Kit***	N/A	8/98-10/98
- :60 and :30 Radio Spot		
- Newspaper Ad/Black&White		
- Magazine Ad/4-Color		
- Outdoor		
Partnership		
- Lifetime Television for Women	N/A	10/98
- Southern Living/LPGA	N/A	10/98
- Amex/WNBA Tabling	5 Games	8/98
- Amex/Race for the Cure	2 Banners	9/13/98-NY
- USPS Cookbook	N/A	8/98-10/98

*Elements were printed through USPS, no samples to forward.
**Printed through Amex, no samples available.
***The items listed were available to local post offices via Field Kit.



Breast Cancer Research Poster



Help stamp out breast cancer!

When you purchase Breast Cancer Research stamps, your United States Postal Service will donate all net proceeds to breast cancer research.* It's that simple. Doing something as ordinary as buying stamps can actually help save lives. So the next time you need to send cards, invitations, or even mail your bills, use the stamps that help stamp out breast cancer. Help us Fund the Fight to Find a Cure.

To order Breast Cancer Research stamps, call **1 800 STAMP-24**, visit www.stampsonline.com, or ask for them at your local post office.

*Each stamp is valid for postage at the current First-Class letter rate. Net proceeds over First-Class letter rate go directly to fund breast cancer research at the National Institutes of Health and the Medical Research Program of the Department of Defense.

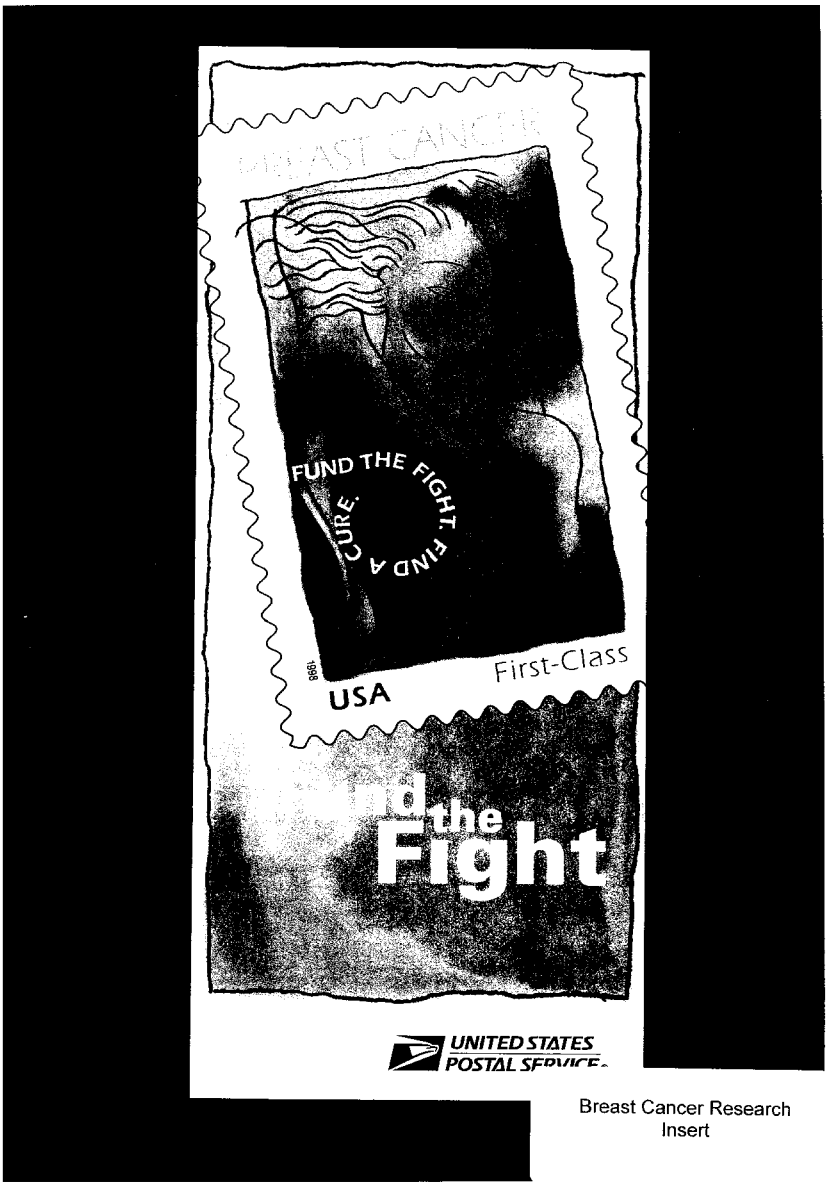
UNITED STATES POSTAL SERVICE

©1999 USPS

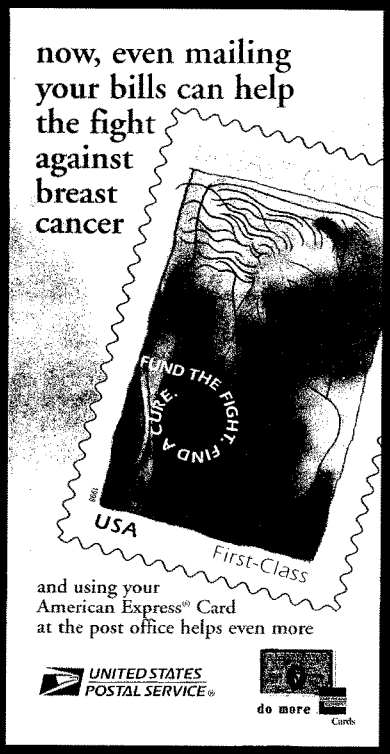
4969

Breast Cancer Research
Print Ad

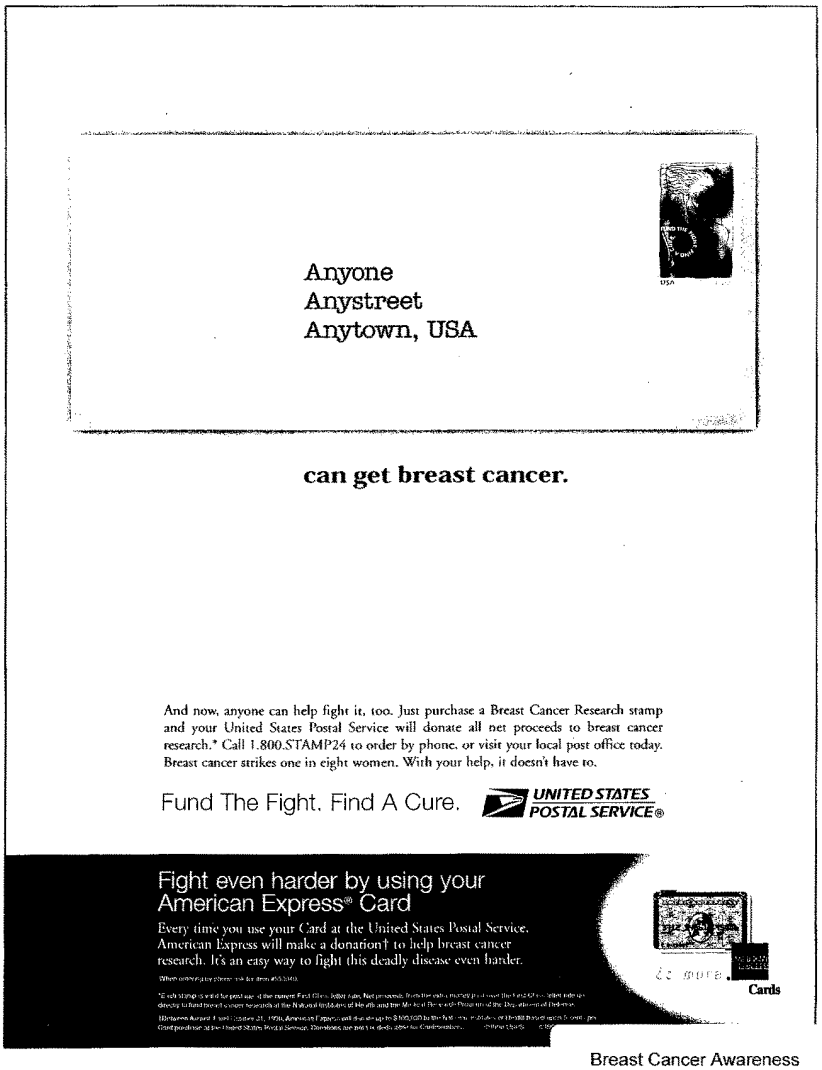
Breast Cancer Research
Window Cling



Breast Cancer Research
Insert



Breast Cancer Research
American Express Insert



Breast Cancer Awareness
Print Ad - May

Breast Cancer Research
Times Square Billboard

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on International Security, Proliferation, and Federal Services
Committee on Governmental Affairs
U. S. Senate

For Release on Delivery
Expected at
10:00 a.m. EDT
on Thursday
May 25, 2000

BREAST CANCER RESEARCH STAMP

Millions Raised for Research, but Better Cost Recovery Criteria Needed

Statement of Bernard L. Ungar
Director, Government Business Operations Issues
General Government Division

GAO/T-GGD-00-137

Summary

Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed

The Stamp Out Breast Cancer Act directed the U.S. Postal Service to create the Breast Cancer Research Semipostal (BCRS), the first-ever semipostal in this nation's history. The BCRS sells for 40 cents—with 33 cents covering the First-Class postage rate. After recouping its reasonable costs, the Service is to remit the net surcharge revenue to the National Institutes of Health and Department of Defense for breast cancer research.

The public and a majority of key stakeholders GAO spoke with believe it is appropriate to use semipostals issued by the Service to raise funds for special purposes—such as breast cancer research. The Service, although supportive of the BCRS, is generally opposed to semipostals because the Service believes them to be outside its mission. In GAO's opinion, the BCRS has been an effective fund-raiser. It has raised millions and, at the same time, has been convenient and voluntary. By the time BCRS sales conclude on July 28, 2000, the Service estimates it will have raised about $14 million for breast cancer research. The average monthly surcharge revenue generated by the BCRS compared favorably with 7 of the 12 foreign semipostals included in GAO's survey, although it did not raise as much money as most of the foreign semipostals on a per capita basis.

It is not clear precisely how much it cost the Service to develop and sell the BCRS. The Service reported that the bulk of its costs, through the end of 1999, were about $5.9 million. According to the Service, about $5.4 million of those costs were recovered through the 33-cent First-Class portion of the BCRS, and the remaining $482,000 had been recouped from surcharge revenue. Throughout the review, GAO was concerned that the Service had not formalized its criteria for determining what costs would be recouped from the BCRS' surcharge revenue and was not consistently applying its informal criteria, which changed over time. GAO recommended that the Service formalize and consistently apply its cost recovery criteria; and in response to that recommendation, the Postmaster General said the Service would do so shortly. He said the Service planned to recoup costs from the surcharge revenue that were over and above the costs normally incurred with a "blockbuster" commemorative stamp issue or new postal product.

The U.S. Mint's experiences offer some lessons learned that may be applicable to semipostals, because there are many similarities between the two. In the mid-1990s, GAO reviewed the commemorative coin program and found that some coins were unpopular and did not sell well. GAO also found that as the number of commemorative coins proliferated, the market became saturated and sales declined. As sales declined, the Mint was unable to cover its costs on some commemorative coin programs.

Statement

Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to participate in the Subcommittee's hearing on semipostal postage stamps, and in particular the Breast Cancer Research Semipostal, which we will refer to by its acronym—BCRS.[1] As you know, the BCRS—which was mandated by the Stamp Out Breast Cancer Act—is the first-ever semipostal issued by the U.S. Postal Service. It costs 40 cents—with 33 cents covering the First-Class postage rate and the remaining 7 cents, less the Postal Service's reasonable costs, earmarked for breast cancer research at the National Institutes of Health (NIH) and Department of Defense (DOD).

My statement this morning is based primarily on the work we did in response to the requirement contained in the act that we review the appropriateness and effectiveness of the BCRS as a fund-raiser and the costs associated with developing and selling the BCRS. The results of that work are discussed in our recently issued report entitled Breast Cancer Research Stamp: Millions Raised for Research, but Better Cost Recovery Criteria Needed (GAO/GGD-00-80, April 28, 2000.) Today, I would like to highlight for the Subcommittee some of the key information contained in that report and also discuss some of the lessons learned from the work we did several years ago on the U.S. Mint's commemorative coin program.[2] Because of the many similarities between semipostals and commemorative coins, we thought this discussion might be helpful to the Subcommittee as it considers a myriad of legislative proposals calling for additional semipostals. Hopefully, by looking at some of the problems that befell the commemorative coin program, the government can avoid similar pitfalls should Congress decide to authorize additional semipostals.

By way of introduction, I would like to briefly describe the work we did in response to our congressional mandate. Because the act did not specify the criteria to be used for evaluating the appropriateness and effectiveness of the BCRS as a fund-raiser, we developed what we believed to be reasonable measures of appropriateness and effectiveness. One of those measures was to obtain the views of key stakeholders, including (1) the Postal Service, (2) the American Cancer Society, (3) the National Breast Cancer Coalition, (4) the Susan G. Komen Breast Cancer Foundation, (5) the president of the American Philatelic Society, (6) the Curator of the Smithsonian Institution's National Philatelic Collection, and (7) Dr. B.I.

[1] A semipostal is a stamp sold at a surcharge over postal value. The additional charge is for a special purpose.

[2] U.S. Mint: Commemorative Coins Could Be More Profitable (GAO/GGD-96-113, Aug. 7, 1996).

Bodai—the individual credited with conceiving the idea for the BCRS. Another measure was to conduct a statistically generalizable survey of adults in the continental United States to determine the public's opinion of the BCRS and semipostals in general. We also obtained information on 12 semipostals issued by 8 foreign postal administrations that responded to our request for information. Additionally, we gathered and analyzed pertinent information on costs, revenue, and resources used to develop and sell the BCRS.

Our bottom-line assessments, based on the work we did, are that (1) the public and most of the key stakeholders we spoke with believed it appropriate to use semipostals issued by the Postal Service to raise funds for special, nonpostal purposes; (2) the BCRS has been an effective fund-raiser; and (3) the cost of developing and selling the BCRS totaled about $5.9 million as of December 31, 1999. The Service considers about $5.4 million of those costs to have been recovered through the 33-cent First-Class postage portion of the BCRS; and said the remaining $482,000 has been recouped from the BCRS' surcharge revenue as of April 14, 2000—the date of the latest transfers to NIH and DOD.

Throughout our review, we were concerned that the Service had not formalized its criteria for determining what costs would be recouped from the surcharge revenue generated by the BCRS. Additionally, we were concerned that the Service was not consistently applying its informal criteria for making such determinations to all costs being tracked. We recommended that the Postmaster General (PMG) promptly issue regulations that clearly state the Service's criteria for determining which costs are to be recouped from the BCRS surcharge revenue and ensure that the criteria are consistently applied to all costs. In response to that recommendation, the PMG stated that the Service will issue final regulations formalizing its cost recovery criteria by the time BCRS sales are scheduled to end on July 28, 2000, and will apply those criteria to all costs before making the last transfers of surcharge revenue to NIH and DOD. He said the Service planned to recoup costs from the surcharge revenue that were over and above the costs normally incurred with a "blockbuster" commemorative stamp issue or a new postal product.[2]

[2] A commemorative stamp is a postage stamp that depicts the cultural and historical heritage of the United States; e.g., important people, events, places, or special subjects of national appeal or significance. A "blockbuster" commemorative is a commemorative stamp that has mass appeal; garners Postal Service support on a national level; and, in most cases, will be highly retained by postal patrons and not used for postage.

I will now highlight for the Subcommittee the results of our work in a little more detail.

Appropriateness of Using Semipostals as a Means of Fund-Raising

The public and a majority of the key stakeholders we spoke with believe it is appropriate to use semipostals for fund-raising. However, there are some who view fund-raising as outside the Service's mission and therefore inappropriate.

The Service, although supportive of the BCRS, is generally opposed to semipostals because it believes that congressional mandates to issue semipostals expand the Service's mission beyond what was defined by the Postal Reorganization Act of 1970. As discussed in our report, we agree with the Service that the sale of semipostals is outside the Service's mission as defined by the 1970 act. Additionally, we do not believe the Service has the authority to issue semipostals on its own volition without specific legislation authorizing it to do so—assuming that it would ever want to do so. This is not to say, however, that legislation expanding the Service's mission and requiring it to participate in fund-raising activities by issuing semipostals is inappropriate. That decision is strictly a policy matter for Congress to decide.

The American Philatelic Society is also opposed to the use of semipostals as fund-raisers because it views them as a tax on the Society's members that falls disproportionately and unfairly on their hobby. However, the president of the American Philatelic Society recently stated, in commenting on a draft of our report, that if a fair process could be designed for choosing no more than two semipostals per year, he believed stamp hobbyists could live with that process.

On the other hand, the public and most of the key stakeholders we spoke with believed that it is appropriate to use semipostals issued by the Service to raise funds for special, nonpostal purposes. In fact, an estimated 71 percent of adults 18 years of age or older in the continental United States support using semipostals as fund-raisers. Key stakeholders believing it was appropriate to use the BCRS issued by the Service to raise funds for breast cancer research included the American Cancer Society, the Susan G. Komen Breast Cancer Foundation, Dr. B. I. Bodai, and the Curator of the Smithsonian Institution's National Philatelic Collection.

The eight foreign postal administrations that responded to our survey were evenly split on the question of the appropriateness of using semipostals to raise funds for special, nonpostal purposes. The postal administrations of Germany, The Netherlands, Belgium, and New Zealand believe that it is

appropriate to use semipostals to raise funds for nonpostal purposes. Conversely, the postal administrations of Austria, Canada, the United Kingdom, and Sweden believe it is inappropriate to use semipostals to raise funds for nonpostal purposes. Generally speaking, the postal administrations that did not believe semipostals are appropriate stated that semipostals are not popular with postal patrons in their countries.

Effectiveness of the Breast Cancer Research Semipostal as a Fund-Raiser

Next, I would like to discuss the effectiveness of the BCRS as a fund-raiser.

The Stamp Out Breast Cancer Act did not provide quantitative measures for evaluating the effectiveness of the BCRS as a fund-raiser. However, the act provided that the BCRS was to provide the public a voluntary and convenient way of raising funds for breast cancer research. Because the act did not provide quantitative measures for evaluating the effectiveness of the BCRS, and historic comparisons were not possible because this is the first-ever U.S. semipostal, we developed what we believed to be reasonable measures of effectiveness. Those measures included (1) determining whether the BCRS raised funds for breast cancer research and was voluntary and convenient; (2) obtaining the views of key stakeholders, including the Postal Service; (3) obtaining the public's view of the BCRS and semipostals in general; and (4) comparing the BCRS' performance with several semipostals issued by foreign postal administrations. On the basis of the results of those measures, we believe that the BCRS has been an effective fund-raiser.

First, as provided by the act, the BCRS has raised money for breast cancer research and, at the same time, has been voluntary and convenient. Second, key stakeholders, for the most part, viewed the BCRS as an effective fund-raiser. Third, the public's view of the BCRS was generally positive; and a majority of the adults responding to our public opinion survey expressed a desire to see more semipostals in the future for other special, nonpostal purposes. Finally, the average monthly surcharge revenue generated by the BCRS compared favorably with 7 of the 12 foreign semipostals included in our survey, although it did not raise as much money as 8 of the 12 foreign semipostals on a per capita basis.

As of March 24, 2000, the Service had sold about 170 million BCRSs, which generated about $12.5 million in surcharge revenue. The Service estimates that by the time sales are scheduled to end on July 28, 2000, about 194.8 million BCRSs will have been sold—generating about $14.3 million in surcharge revenue.[4] In accordance with the act, the surcharge revenue

[4] H.R. 4069 and S. 2386 were introduced in Congress on March 23, 2000, and April 11, 2000, respectively, to extend the sales period for the Breast Cancer Research semipostal for 2 years.

generated by the BCRS, less the Service's reasonable costs, is to be transferred to NIH and DOD. The act specifies that NIH is to receive 70 percent of the net proceeds, and DOD is to receive 30 percent. As of April 14, 2000—the date of the last transfers—about $7.3 million had been transferred to NIH, and about $3.1 million had been transferred to DOD for breast cancer research.

Monetary and Other Resources Used to Develop and Sell the Breast Cancer Research Semipostal

Next, I would like to discuss the costs associated with developing and selling the BCRS. At this point in my statement I should mention that this is the area where we had the most concerns with the BCRS program.

It is not precisely clear how much it cost the Postal Service to develop and sell the BCRS. There were costs the Service did not track because it believed those costs would be inconsequential or immaterial, such as minor accounting functions, including posting sales receipts to cashbooks in nonautomated post offices. As mentioned earlier, the Service reported that the bulk of its costs, through December 31, 1999, were about $5.9 million. The $5.9 million includes $488,000 in costs identified by the Postal Office of Inspector General that had not been previously identified by the Service. At the time we concluded our review, there was an additional $348,000 in costs that the Postal Office of Inspector General believed was attributable to the BCRS, but the Service disagreed.

Of the $5.9 million, the Service considers about $482,000 to be unique to the BCRS and had recouped those costs from the surcharge revenue as of April 14, 2000—the date of the last transfers to NIH and DOD. According to the Service, all other costs–about $5.4 million–would have been incurred with any blockbuster commemorative stamp issue or new postal product, and those costs have been recovered through the 33 cents that constitutes the First-Class postage portion of the BCRS.

The Stamp Out Breast Cancer Act required that the Service prescribe regulations setting forth the criteria it would use to determine the reasonable costs to be recouped from the surcharge revenue generated by the BCRS. However, the act did not establish a deadline to prescribe such regulations.

As of mid-May 2000, the Service had not prescribed regulations containing formal, written criteria for determining the reasonable costs to be recouped from the BCRS' surcharge revenue. Through much of the BCRS' sales period, the Service has used an evolving set of informal criteria to decide what costs it would recoup from the surcharge revenue.

Additionally, our review indicated that the Service did not consistently apply its informal criteria to all costs.

The Service initially planned not to recoup any costs from the surcharge revenue. We discussed this approach with postal officials as the sales program progressed and were told that the Service had decided to recoup costs that were above and beyond the costs normally associated with a commemorative stamp issue. After we examined the Service's application of those criteria and expressed concern that the Service had not consistently applied its commemorative stamp issue criteria, the Service again revised its informal criteria. Under its revised criteria, the Service planned to recoup costs that were above and beyond the costs normally associated with a blockbuster commemorative stamp issue. Our analysis of the Service's application of its revised informal criteria also showed that the Service was not consistently applying those criteria to all cost items. The results of that analysis are discussed in more detail in our recently issued report. In commenting on our recommendation that the PMG formalize and consistently apply the Service's cost recovery criteria, the PMG announced in a letter dated April 11, 2000, that the Service had again revised its informal criteria. He stated that the Service now plans to recoup costs over and above the costs normally incurred with a blockbuster commemorative stamp issue or new postal product. The PMG also stated that the Service will consistently apply its latest criteria to all costs the Service is tracking.

Throughout the review, we were concerned that the Service had not issued formal, written criteria to determine which of the BCRS' costs would be recouped from the surcharge revenue. Understanding what criteria the Service is applying, as well as the data or analysis underlying its cost recovery decisions, is key to establishing the appropriateness of the Service's decisions regarding those costs to be recouped from the surcharge revenue. Moreover, this information is essential to providing postal rate payers, who have not purchased the BCRS, assurance that they are not making involuntary contributions to breast cancer research. Involuntary contributions occur when costs that should have been recouped from the BCRS surcharge were not and must be covered by revenue generated from other First-Class postage.

We recognize that the act provides the Service with the discretion to establish reasonable criteria for determining the BCRS costs to be recouped from the surcharge revenue and that the act did not impose a time restriction. However, until such time that the Service prescribes formal, written criteria and consistently applies those criteria to all BCRS

costs, it is difficult for Congress, us, and others to evaluate how well the Service is implementing its legislative mandate to recoup reasonable costs. The Service's failure to prescribe formal, written criteria also makes it difficult for Congress and others to determine whether the Service's criteria are appropriate. The need to prescribe formal, written criteria as soon as possible is particularly acute given that the Service's actions are potentially precedent-setting. Eight bills have been introduced in Congress that would mandate additional semipostals, and each of those bills contains the same language as the Stamp Out Breast Cancer Act regarding the recoupment of reasonable costs. As previously mentioned, however, the PMG has expressed assurances that the Service will issue final regulations formalizing its cost recovery criteria by the time BCRS sales are scheduled to end on July 28, 2000, and will apply those criteria to all costs being tracked before making the last transfers of surcharge revenue to NIH and DOD.

Lessons Learned From Commemorative Coins

Before concluding my testimony, I would like to mention some of the lessons learned from work we did several years ago on the U.S. Mint's commemorative coin program. We are hopeful that by looking at some of the problems the Mint experienced with commemorative coins, the government may be able to avoid similar pitfalls should Congress authorize additional semipostals.

Semipostals are similar to commemorative coins produced by the Mint in that both are authorized by Congress and produced by government agencies. The purpose of semipostals and commemorative coins is also similar. Semipostals are sold at a surcharge over postal value, with the net proceeds from the surcharge going to a special purpose—such as breast cancer research.

Commemorative coins are legal tender but are typically sold at several times their metal value, with surcharges being paid to sponsoring groups. They typically serve to honor certain events or individuals and raise funds for the coins' sponsors. For example, the Mint issued a set of 32 coins to commemorate and raise funds for the 1996 summer Olympic games in Atlanta, GA.

In August 1996, at the request of the Chairman of the Senate Banking, Housing, and Urban Affairs Committee, we issued a report on the Mint's commemorative coin program that focused primarily on coins issued between 1982 and 1996. Among other things, the Chairman had been concerned about the proliferation of commemorative coin programs and

the market for commemorative coins. We believe at least two of the findings from our report are relevant to semipostals and merit revisiting.

First, the report noted that as the number of commemorative coin programs authorized proliferated, the market became saturated and sales declined. From 1982 through 1989, Congress authorized an average of less than one commemorative coin program per year. During that period, the total number of commemorative coins sold averaged 4.5 million annually. From 1990 to 1995, however, Congress authorized an average of 2.7 commemorative coin programs per year, but the total number of commemorative coins sold per year fell to an average of 2.8 million. The report noted that according to coin collectors, the Director of the Mint, and others, commemorative coin sales declined in the early 1990s because there were so many different commemorative coins that the market became saturated and could not absorb more. Additionally, they noted that some commemorative coin themes were not well accepted by the public. For example, some coins with broad public appeal sold well, such as those commemorating the centennial of the Statue of Liberty and Ellis Island. However, coins with seemingly narrower appeal, such as the United Service Organization[5] commemorative, did not fare as well. As a consequence of these conditions—market saturation and some unpopular coin themes—commemorative coin sales during the early 1990s were significantly less than hoped for.

Second, the report noted that on some commemorative coin programs, the Mint recorded a loss because sales were not sufficient to cover costs. In 1994, for example, the Mint reported losing $4.1 million on the World Cup coin program.

To help minimize the potential for future losses, the report concluded, among other things, that Congress could guard against (1) the production of more commemorative coins than the market can absorb, and (2) the selection of themes that are unlikely to have broad appeal to the commemorative coin market.

We believe semipostals could be vulnerable to some of the same pitfalls that befell the commemorative coin program in the early 1990s. As we noted in our report on the BCRS, there has already been a proliferation of semipostal bills introduced in Congress since the act creating the BCRS. Passage of several of these bills creating semipostals with similar sales

[5] The United Service Organization provides services to active duty military personnel, such as emergency housing and food assistance.

time frames might saturate the market and strain, if not overwhelm, the Service's capacity to effectively and efficiently develop, distribute, and market these semipostals.

Additionally, just as some commemorative coins failed to sell well because of themes lacking broad market appeal, semipostals with limited public appeal and marketability might also fare poorly. The BCRS benefited not only from a relatively high public awareness of breast cancer issues, but also from a nationwide network of health research and support organizations that supported and promoted the breast cancer semipostal—such as the Susan G. Komen Breast Cancer Foundation and the American Cancer Society. Semipostals for lesser known causes with limited organized support might not fare as well, possibly resulting in a monetary loss for the Service and no surcharge revenue for the stamps' beneficiaries. Competition from other semipostals may also have an impact on sales, as was the case with commemorative coins. For example, the Mint's experience with commemorative coins shows that total sales were the highest in years when only one commemorative coin program was ongoing—not two or more.

The Service projects that about 195 million BCRSs will have been sold by July 28, 2000, when sales are currently scheduled to end. The Service reports that these sales will cover its cost of developing and selling the BCRS, plus generate about $14 million for breast cancer research. A semipostal without the broad market appeal and organized support enjoyed by the BCRS might fail to sell sufficiently to generate even enough revenue to cover the Service's costs—a situation that would be both costly and problematic for the Service in that rate payers would be covering losses incurred from postal fund-raising activities.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or Members of the Subcommittee may have.

Contact and Acknowledgements

For future contacts regarding this testimony, please contact Bernard L. Ungar, Director of Government Business Operations, on (202) 512-8387. Individuals making key contributions to this testimony include Gerald P. Barnes, Charles F. Wicker, and Roger L. Lively.

LETTER FROM SCOTT GAUVIN, COALITION FOR SAFER CROSSINGS

February 17, 2000

Dear Honorable Senator Levin,

I am writing you this letter today to first thank you for your interest in the issue of railroad crossing safety as well as . . . on the bill that would authorize funds to be allocated to Operation Lifesaver via a stamp that the general public would purchase.

A little more than a month ago I was contacted by your staff person . . . concerning this issue. I expressed to her the need for tougher regulations needed on the railroad industry as well as my personal reservations about this "stamp act".

I personally find Operation Lifesaver spin on education appalling. Three and a half years ago i lost a very dear and close friend of mine at an unprotected crossing in southwestern Illinois. Eric was nineteen. I fought to close the crossing where Eric was killed and since helped many families after the lost of a loved ones through my organization the Coalition for Safer Crossings. And now today we are moving forward with other smaller organizations to form a national organization to combat certain types of education being put out by other groups and to help victims families, and help change the trend of escalating collisions. The National railroad Safety Coalition is comprised of families and friends of victims of railroad car collisions, unlike Operation Lifesaver.

I personally and professionally oppose this measure. If the United States Congress is truly concerned about this issue of railroad crossing safety and is dead set on making stamps then you should make a railroad safety stamp not a Operation Lifesaver stamp. And rather than have the money to go to their type of education have it go towards the states funds for grade crossing upgrades in that state. A matching dollar scheme comes to mind from the state.

When I initially talked to [your staff], I made a statement to hopefully make this decision an easy one for you and your colleagues in the Congress.

I am currently 23 years old. When I was in high school I received the same driver safety training regarding grade crossings safety as my best friend Eric did. Eric is now gone. The funds from this proposed stamp would not have helped him. Now if this stamp would have been around prior to 1996 and funds were

allocated to the State of Illinois for hardware and a set of automatic lights and gates were installed at this crossing in question I wouldn't be writing you this letter today. I hope you understand the difference.

Operation Lifesaver is not the only group out there talking or doing something about this issue. I fight with issue everyday, along with my friends around this country who have lost a loved one.

Please if you would like further information about me, my story, or organization please don't hesitate.

Thank you,

Scott Gauvin
Coalition for Safer Crossings

AMERICAN PHILATELIC SOCIETY

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May 18, 2000

The Honorable Thad Cochran
Chairman
Subcommittee on International Security,
Proliferation and Federal Services
Committee on Government Affairs
United States Senate
442 Hart Building
Washington, DC 20510

Dear Senator Cochran:

The American Philatelic Society continues to stand opposed to the issuance of any further semi-postal stamps. As previously expressed, our objections against semi-postal stamps are based on a principle which transcends individual causes, no matter how worthwhile they may be. As a group, Americans are perhaps the most generous people of the world. But we believe as a matter of principle that it is inappropriate for the Government to become directly involved in fund raising especially when it must select among variable charitable causes.

Specifically we stamp collectors view semi-postal stamps as a direct tax that falls disproportionately and unfairly on the hobby. As the General Accounting Office learned from its review of postal operations, it is stamp collectors who buy a substantial percentage of "Blockbuster" commemorative issues, and as a consequence, pay a large portion of any premium attached to a semi-postal stamp.

We do applaud the USPS effort to achieve Congress's directive to raise funds for breast cancer research through the issuance of the Breast Cancer Research Stamp (BCRS). The USPS is to be congratulated for enthusiastically embracing this project and raising an estimated 8.7 million dollars for cancer research as determined by the April 2000 GAO Report. Despite our opposition to the issuance of semi-postal stamps, the American Philatelic Society displayed and promoted the sale of the BCRS stamp through its USPS Contract Postal Station and our sales totaled more than $1,000, not an inconsiderable amount for a small contract office.

We can state from our own experience about the paperwork and considerable clerical time involved in selling a semi-postal issue. The GAO recognized this when they determined that these costs are not reflected in the USPS accounting. The time to issue a USPS 1096 receipt for each sale and record daily sales was not overly burdensome, but our mail room clerk often spent considerable time explaining the purpose of the stamp and the reason for the extra cost to inquisitive patrons who then did not always purchase any stamps. We believe we are typical of

the thousands of small non-automated post offices throughout the country. That supports our contention that raising money eight cents at a time is not a cost effective process.

We are not surprised that the GAO Report indicated that more than 71 percent of Americans support the issuance of semi-postal stamps as a way to raise funds. On surface, it's an "American Pie" idea; who, other than some frugal stamp collectors, could be opposed? Consider though that in order to match a modest $10 contribution to breast cancer research, an individual would have had to purchase more than six sheets of BCRS stamps. Many individuals may have done so, but just as likely many individuals purchasing only a few stamps (a sheet of 20 = a $1.60 contribution) did so in lieu of making a more sizeable direct contribution to the American Cancer Society, the National Breast Cancer Coalition, or some other worthy group.

The American Cancer Society has stated it believes that it is too early to label the BCRS as either effective or ineffective. We agree, and share the ACS concern that funds generated by this project not be used to supplant dollars otherwise appropriated for breast cancer research. Before any additional legislation of semi-postal stamps is considered, additional study is needed to determine if the issuance of this stamp has had any ill-effect on the fund raising abilities of those organizations who, like ACS, traditionally have raised funds for cancer research.

The USPS has a long tradition of issuing stamps to raise public awareness in support of social problems and causes: (alcoholism, voluntarism, crime prevention, hunger, literacy, drug abuse, AIDS, cancer) just to name a few. Rather than also being saddled with the tasks of fund raising and prescribing bureaucratic regulations to account for those funds, plus developing quantitative measures for evaluating program effectiveness, we believe it would be more appropriate if the USPS simply were to continue its historical policy of issuing commemorative stamps to raise public awareness of social issues, leaving it to other agencies and organizations to raise funds.

There are many worthwhile causes for which supporters will want to see stamps issued as a means of raising money. Differentiating the value of one cause over another would be a bureaucratic nightmare. And no matter what limits are placed on the number of semi-postal issues, pressure will quickly develop to exceed them. Eight bills calling for the issuance of additional semi-postal stamps already have been introduced.

We believe that Americans do not traditionally look to the Government to tell them what charities to support, and we urge that separation be maintained.

Sincerely,

Peter P. McCann, Ph.D.

PPM:tsz

WIN ABC

Women's Information Network Against Breast Cancer

Elizabeth "Betsy" Mullen
President, CEO

Shelly Blechman
Program Director

Board of Directors
Bradford W. Edgerton, M.D.
Gary E. Erickson
Dotty Ewing
Sharon Goldsmith, R.N., M.S.
Scott Karlan, M.D., F.A.C.S.
Vladimir Lange, M.D.
Carol Mechanic
Carol Scott, J.D., M.P.H.
Nina Aguayo Sorkin, L.C.S.W.

May 19, 2000

The Honorable Thad Cochran
Chairman
Subcommittee on International Security, Proliferation and Federal Services
Governmental Affairs Committee
340 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Cochran:

On behalf of the national Women's Information Network (WIN) Against Breast Cancer organization, I am writing to ask for your support of S.2386, the *Breast Cancer Research Stamp Reauthorization Act of 2000.* I devoted two years of my life to secure the passage of the legislation that created the now historic semipostal stamp, and my organization, WIN Against Breast Cancer (WIN ABC), has worked to promote the Breast Cancer Research Stamp throughout the United States since its inception. I have enclosed for your review, 500 individual, signed letters of support for S.2386 that WIN ABC obtained in a two-hour period of time last Saturday, May 13th, at the Revlon Run/Walk for Women in Los Angeles, California. We could easily have obtained several thousand additional letters at the event to illustrate the overwhelming support for the continuation of the Breast Cancer Research Stamp that constituents throughout the United States overwhelmingly embrace.

The Breast Cancer Research Stamp has captured the essence of innovation, volunteerism and partnership that are such an integral aspect of our country's history and spirit. This vital legislation will continue to give all of us the opportunity to work together to eradicate breast cancer once and for all. In addition, the awareness that this historic stamp designed to saves lives has raised has been priceless.

With the passage of the new legislation, the American people can realistically raise millions of additional dollars a year to fund cutting edge research to end this rampant disease that continues to claim the lives of the all too many breast cancer victims each year in this country and around the world.

The Breast Cancer Research Stamp Reauthorization Act represents the opportunity for the American people to join together for at least two more years to raise critically needed funds for breast cancer research to ensure that children can one day grow up with a future free of the specter of this horrible disease. Working together to support this legislation is a major step forward in the fight against cancer. It is time to bring an end to this insidious disease that has become a blight on our nation.

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Phone (619) 284-4900, Fax (619) 284-7900

The only way to end the scourge of breast cancer is by funding responsible and progressive biomedical cancer research. **It is important to note that breakthroughs made in breast cancer research will have crossover benefits to many other types of malignancies in terms of more specific, less toxic treatment modalities, better screening modalities, cure and prevention.** If we have the intellect to end small pox and polio, to put a man on the moon, then certainly we can find a cure for cancer. **This bill, if passed, will provide an innovative, simple and now *proven way* for individuals to make a substantial contribution to fund federal cancer research and to continue to be a part of what has become an effective public-private partnership.**

We are highly supportive of the fact that the bill will again contain a specific "anti-supplanting" provision to guard against any reductions in annual appropriations to the NIH and DoD breast cancer research programs. **We urge all Members of Congress to support this vital legislation that will allow the American people the continued opportunity to lend their support to funding additional cancer research by its passage.**

When I was diagnosed with breast cancer seven years ago at the age of thirty-three, not only was I shocked at the diagnosis, I was also shocked and dismayed to find out how very little we know about this terrible disease. When I was told that I had breast cancer, I was also told that I might be dead in two to three years -- that even after undergoing a mastectomy and six months of chemotherapy; I still had a 60% chance of a recurrence but, I am lucky, and am alive today to work on behalf of the all too many women and men who have lost their lives to cancer. ***Luck should not be a part of the equation.*** **We need to put an end to the breast cancer epidemic that continues to claim another life every twelve minutes. The passage of the Breast Cancer Research Stamp Reauthorization Act will help us accomplish that goal.**

I would be honored to answer any questions you might have regarding my personal insight as well as the WIN organization's experience with respect to the Breast Cancer Research Stamp "demonstration project" over the last several years and would welcome the opportunity to testify at your upcoming semipostal hearing on May 25th. I can be reached at **(619) 284-7300** and via my twenty-four hour pager at **(626) 938-8105**. If you would like a quick overview regarding WIN Against Breast Cancer, our web address is **www.winabc.org**.

Respectfully submitted,

Elizabeth "Betsy" Mullen
Founder, President/CEO

cc: The Honorable Fred Thompson
The Honorable Daniel K. Akaka
The Honorable Dianne Feinstein

Enclosures

SENATOR THAD COCHRAN

Subcommittee on International Security, Proliferation, and Federal Services
Hearing on
"The Issuance of Semipostal Stamps by the United States Post Office"
May 25, 2000

Questions for the Record

Deborah Willhite, USPS

1. **Ms. Willhite, according to the GAO report, the Postal Service has repeatedly revised its criteria for determining the reasonable costs to be withheld from the surcharge revenue from the breast cancer stamp.**

   - **Can you explain for us why the Postal Service has changed its criteria over time?**

Answer: During the initial planning stages we attempted to identify all cost items to be tracked. The BCR stamp is the first semipostal stamp issue in the history of the Postal Service. As such it has been subject to ongoing internal analysis and discussion in regard to determining the policy for identifying and recovering incremental costs. Now that the analysis is complete, a formal cost recovery policy has been established. The evolving cost recovery criteria discussion was internal to the Postal Service—the GAO properly described the proposed policy as "informal." In developing our criteria, we wanted to be fair and equitable not only to our customers who purchased the BCRS but also to postal ratepayers generally by minimizing the costs that become part of the Postal Service's overall expense base. We also worked closely with NIH and DoD to develop interagency agreements that allowed us to deduct from the stamp's proceeds any additional costs that we had not anticipated earlier.

   - **GAO also noted in its report that the cost recovery criteria used by the Postal Service were not consistently applied to all costs. Can you please explain why this occurred?**

Answer: The goal during the planning stage was to consistently apply cost recovery criteria as cost items were identified. During the sales period, we reevaluated and, as necessary, revised our criteria to ensure that we were consistent in our treatment of costs and fair to all parties.

2. **Ms. Willhite, the legislation authorizing the breast cancer stamp required the Postal Service to issue regulations setting forth the criteria for determining the reasonable costs to be recovered from the surcharge revenue generated by the stamp. However, the Postal Service has not yet complied with this directive.**

   - **Why has the Postal Service not yet issued these regulations?**

Answer: The Postal Service has now established a formal cost recovery policy and is in the process of incorporating it in our regulations. Public notice of this policy will appear in an upcoming *Postal Bulletin*. Since we realized that our cost recovery policy would be precedent setting in the event of future semipostal issues, we thought it was prudent to defer formalizing our policy until we had identified all of the stamp's relevant cost items. If we had publicly issued our policy early on, we would have run the risk of having to revise it as additional cost items were identified.

   - **When does the Postal Service intend to issue regulations?**

Answer: We will issue final regulations to formalize our BCRS cost recovery policy before the stamp's sales period ends on July 28, 2000.

3. **Ms. Willhite, as you know, Postmaster General Henderson sent a letter to the GAO commenting on its draft report. In this letter, the Postmaster General noted that the Service intends to recover those costs associated with the breast cancer stamp that are over and above the costs normally incurred with the development and sale of blockbuster commemorative stamps or new postal products.**

   - **Would you please explain for us what that means?**

Answer: Postal policy for the BCRS is to recover costs over and above the costs normally incurred with the development and sale of a "blockbuster" commemorative. This is to avoid double cost recovery as the First-Class Mail rate already includes the normal (i.e. non-incremental) costs associated with the design, development, printing, transportation, and, in the case of "blockbuster" commemoratives, advertising and promotion, of First-Class stamps. Some examples of costs over and above those incurred for a "blockbuster" commemorative include: special packaging and receipts, retail sales devices and vending machine reconfiguration, and semipostal program-related printing costs.

   - **How did the Postal Service select these criteria?**

Answer: We selected these criteria to avoid the double recovery of normal costs (including those costs associated with a "blockbuster" commemorative); and to recover those costs specifically attributable to the BCR stamp. We believe our

criteria are both reasonable and in compliance with the mandate of the "Stamp Out Breast Cancer Act."

4. **Ms. Willhite, as I understand it, the Postal Service has spent approximately $5.9 million to develop and sell the Breast Cancer Research Semipostal, and the Service has calculated that virtually all of these costs have been covered by the 33-cent First-Class postage rate. But, according to GAO, the Postal Service has decided to recover only $482,000 of its total costs from the surcharge revenue of the breast cancer stamp.**

   - **What information did the Postal Service use to make this determination?**

Answer: We prepare an annual report titled *Cost and Revenue Analysis (CRA) Report*. We know that, historically, First-Class Mail (Non-Presort rate)—or individual letters—have one of the larger contribution margins of our products. In order to have this contribution margin, First-Class stamps implicitly have to be covering their costs of production and distribution.

   - **In its report, GAO stated that the Postal Service failed to provide GAO with any data or analysis showing that the costs have, in fact, been recovered. Why was this data not provided to the GAO?**

Answer: The audited Postal Service fiscal year 1999 Cost and Revenue Analysis (CRA) report was only recently released. It was not available at the time the GAO was preparing its report.

   - **Will the Postal Service make this cost data available to Congress? If so, when?**

Answer: The audited CRA report for FY 1999 has been released. As mentioned in the Postmaster General's letter to the GAO, we will provide our congressional oversight committees with an analysis of the CRA and other data that will show that the First-Class postage rate, taken as a whole and including the BCR stamp, covers the costs associated with the development, manufacture, distribution, and sale of First-Class stamps as well as covering the costs of providing the mail processing and delivery service for the mailpiece.

5. **Ms. Willhite, as I understand it, the GAO was unable to determine exactly how much it cost the Postal Service to develop and sell the Breast Cancer Research stamp, because the Postal Service did not track all the costs associated with the stamp.**

   - **Why did the Postal Service not track all the costs associated with the issuance of the stamp?**

Answer: The Postal Service considers certain costs too minimal to track in a cost-effective manner and there is no overriding business need to do so regardless of cost. Moreover, many of these costs would be, at best, estimates based on statistical or cost accounting inferences. An example of the latter would be the costs associated with the separate manual recording of BCR stamp sales in non-automated offices. This would require estimates of the number of days on which sales occurred, the average amount of time it would take staff at these offices to manually record these sales, and the average hourly wage of the staff who recorded the sale. We believe it is impractical to attempt to track minor costs of this nature and the results of such efforts would still be imprecise.

- **What changes, if any, would you envision for capturing costs associated with any future semipostals?**

Answer: We believe that the 18 cost items identified for the BCRS encompass all the costs we would incur for any future semipostal stamp issue. We do not envision any changes in our cost tracking methodology in the event that there is another semipostal stamp. However, if Congress mandates that we offer multiple issues of semipostal stamps during the same period, our current cost and revenue tracking structure will clearly require significant modification.

6. **Ms. Willhite, the Postal Service has proposed a one-cent rate increase for First-Class postage, which is now under consideration at the Postal Rate Commission.**

- **If the price of First-Class postage goes up to 34 cents next year, what impact will this have on the price of, and surcharge revenue from, the Breast Cancer Research Semipostal—assuming that legislation extending the program is enacted?**

Answer: The question appears to assume that the Governors would retain authority over pricing decisions. Without prejudging this issue on their behalf, we note that if the rate is raised to 34 cents, the maximum possible differential will be 8 cents, and the maximum price under the Act would thus be 42 cents. We further note that preserving consistency in the 40 cent price, in lieu of raising the price to 41 cents (after the 33 cent First-Class Mail single-piece rate became effective in January 1999), has simplified to some degree our promotion and administration of this program. That said, it is obvious that the Governors will have to consider the benefits associated with maintaining the rate at 40 cents against the potential for maximizing revenue on behalf of breast cancer research by changing the price. The choice the Governors will likely consider is whether to raise the price to 42 cents or maintain the price at 40 cents. We have no reason to believe that the Governors would favor lowering the price below 40 cents as a consequence of a rate change in connection with Docket No. R2000-1, and we doubt that a price of 41 cents would be seriously considered since the Governors chose not to raise the price to that level once this

option became available in January 1999. If the price remains at 40 cents, the surcharge revenue will be 6 cents per stamp; if the price is raised to 42 cents, the surcharge revenue will be 8 cents per stamp.

7. **Ms. Willhite, the legislation authorizing the Breast Cancer Research stamp stipulated that the surcharge amount added to the First-Class postage rate was not to exceed 25 percent of the First-Class postage rate.**

   - **Do you believe setting the surcharge maximum at 25 percent is the most appropriate level, or do you believe the maximum allowable surcharge should be set at some other level?**

Answer: The answer depends on the willingness of customers to make a donation at that level. A variety of factors could influence that decision, including the cause that is selected as the beneficiary for surcharge revenue. Based on the success of the Breast Cancer Research Stamp, however, it appears that customers were quite receptive to the 25 percent level. This stamp is unique in that we had done market research. Respondents were asked for their opinion on a reasonable surcharge amount. There was an extraordinary array of interests generating support for this issue. Public policy dictates that we should be prudent in both the decision to issue future semipostals and how to price them. In the case of the Breast Cancer Research Stamp, however, it is unclear if total revenue from the surcharge would have increased if a higher percentage for the differential had been selected, since the total number of units purchased could have declined at a relatively greater level than the corresponding increase in price.

A few principles should guide these decisions:

1) Based on market research and the nature of the administrative cost, there must be a strong probability that the issue will be a success. Although the BCRS entailed a great deal of exceptional processing, there was strong evidence that significant volumes could be sold. Given that the processes and costs of dealing with a semipostal differ significantly from our normal processes, success is crucially dependent on there being sufficient volume.

2) Using a semipostal is an extraordinary means for raising funds. There should be wide public consensus that the particular cause is a proper one. The Postal Service should not be put in the position of choosing or seemingly endorsing potentially controversial causes.

3) The level of semipostal activity should not be so great as to significantly interfere with the ordinary job of delivering the mail and providing the public with easy to use means of paying postage to have that mail delivered.

4) Sufficient flexibility must exist to tailor any surcharge for the current and prospective postage rates and potential administrative and customer burdens arising from setting a given semipostal surcharge.

5) Care must be given that the availability of a future semipostal not create confusion among the public about postage rates.

6) The level of semi-postal activity should not grow to the point where it raises the cost of providing universal service.

- **Should the surcharge amount be the same regardless of the semipostal beneficiary?**

Answer: This is ultimately a question of policy for Congress to decide. We note, however, that based on comments from the public reported in the press about the Breast Cancer Research Stamp, it would appear that preserving some measure of uniformity among beneficiaries might stem some of the potential criticism that could otherwise be raised that the federal government favors certain diseases or causes over others.

Each potential semipostal is unique and would require individual application of the principles cited above.

- **The Board of Governors was tasked with determining the actual surcharge amount charged. For the Breast Cancer Research stamp, the Board decided on the maximum 25 percent surcharge. Should the Board continue to determine surcharge amounts if there are future semipostals?**

Answer: First, as a point of clarification, under the Stamp Out Breast Cancer Act, the Governors have discretion to select the price of the Breast Cancer Research Stamp up to a 25 percent maximum differential. When the stamp was first issued, the First-Class Mail single-piece first-ounce rate was 32 cents, enabling the Governors to set the differential at a maximum of 8 cents, for a total price of 40 cents per stamp. In January 1999, the First-Class Mail rate was raised to 33 cents, but the price of the stamp remained at 40 cents, thereby effectively reducing the differential to 7 cents per stamp, or 21 percent of the 33-cent rate. This enabled the price to be maintained at a simple, easy-to-remember, and administratively consistent figure. In our view, the Governors' ability to exercise some authority over the price of the stamp is beneficial from an administrative standpoint. Preserving discretion in this case enabled the price to be informed by the Postal Service's operational and marketing expertise, which would not necessarily be the case if the Governors were deprived of this authority.

8. Ms. Willhite, I understand the Service has used several public/private partnerships to promote the Breast Cancer Semipostal.

- **Would you please describe some of these public/private partnerships and comment on how well they worked?**
- **Would you expect to use similar partnerships to promote future semipostals?**

Answer: The Breast Cancer Research semipostal stamp was dedicated and issued at the White House on July 29, 1998. This event launched an integrated marketing and communication plan that was built around three major goals and strategies. Major partnerships, cooperative ads and events include:

- In May 1998, the Breast Cancer Research semipostal stamp was unveiled at the Revlon Run/Walk for Women in Los Angeles, CA. This event afforded us an opportunity to create awareness at an existing venue that attracted approximately 40,000 to 50,000 participants. As a result of the huge success and the national media coverage we received from this event, we again partnered with Revlon in 1999 at the New York and California events, clearly increasing stamps sales in each respective area.

- American Express asked the United States Postal Service to partner with them in an attempt to raise awareness and align with this goodwill effort. We agreed to participate in a 3-month promotion, which began in August 1998 and ended in October 1998. The promotion encouraged customers to use their American Express card when making purchases at Post Offices. With each American Express transaction, American Express donated 5 cents to NIH Breast Cancer Research. The total campaign generated 1,909,358 transactions, which resulted in over $95,000 being donated to research. Additionally, American Express partnered with our national radio and print advertising efforts and they conducted their own internal campaign, which allowed their employees the opportunity to purchase the stamps.

- In an effort to position the Breast Cancer Research semipostal stamp, the Postal Service advertised the stamp through advertising media available. For example, radio spots and full page newspaper print ads for local market use and advertisements in national magazines such as *Parade*, *People*, *TV Guide*, *Southern Living* and our Postal Service publications *USA Philatelic* and *Postal Life*.

- The Susan G. Komen/Race for the Cure is a nationally known Breast Cancer research fundraiser. This organization provided an opportunity for local post offices to partner with hundreds of races throughout the country. Each of these races afforded us an opportunity to increase awareness and sell the Breast Cancer Research stamp. Vice President Gore was the guest speaker and our former Deputy Postmaster General Mike Coughlin participated in the Washington DC Race in 1998. This national media event enabled us to spread the word.

- National Breast Cancer Awareness month (October 1999): In recognition of Breast Cancer Awareness Month a venue was created to allow Postmaster General

Henderson to thank all postal employees who helped make the Breast Cancer Research semipostal stamp such a huge success. To complement Mr. Henderson's effort, guest speaker Andrea Roane from CBS Eyewitness News, and an oncology resource nurse from the Lombardi Cancer Center provided demonstrations on self-breast exams and answered questions. This event was well attended and broadcast nationwide through our internal Postal Vision network.

- Local events took place throughout the country with branches of the American Cancer Society, local hospitals, and with local women's organizations. The interest by these groups was overwhelming. Local post offices were contacted by these groups and asked to participate in events within their communities. At each event, we were asked to sell the Breast Cancer Research stamp.

- Partnered with Lifetime Television to generate awareness of the Breast Cancer Research stamp. During 1998, several public service messages were aired using Linda Ellerbe.

Additionally, from April 22 through May 19, 2000, the Postal Service continued supporting the issuance of the Breast Cancer Research stamp through an internal Mother's Day Promotion. This promotional campaign challenged postal employees and customers nationwide to use the Breast Cancer Research stamp on their Mother's Day cards and letters.

We would expect to use similar partnerships to promote such a stamp if we were mandated by Congress to issue future semipostals. However we must note that the subject matter of the stamp will determine how much support and what type of partnerships would be available.

9. Ms. Willhite, what percent of the Breast Cancer Research Semipostals sold are being retained by postal patrons, and not used for postage?

- **How does this percentage compare with other "blockbuster" commemorative stamps?**

Answer: The Breast Cancer Research stamp presents a unique situation that we do not encounter with other stamps, including blockbuster commemorative stamps. When the stamp was issued in July 1998, it was under the mandate that this stamp would be available for sale to the public through all sales channels until it is scheduled to come off sale in July 2000. When the First Lady announced the stamp issuance, she expressed the intention that the stamp would be available for everyone to use on his or her mail. Therefore, print quantities and the distribution of the stamp were necessary for a two-year period. The average commemorative stamp print quantity is based on being a sell-out within 90 days.

To help generate awareness throughout our country, we do not necessarily encourage customers to save our stamps with a public service message, we

encourage postal patrons to use these stamps on their mail. Because the Breast Cancer Research stamp is primarily a mail-use stamp, we did not measure the retention rate, which is consistent with our policy on social issue stamps.

10. **Ms. Willhite, the GAO conducted a public opinion poll relating to semipostals which showed that 1-year after the Breast Cancer Research Semipostal was issued, only 24 percent of the adult population was aware of the semipostal.**

    - **Were you surprised that the percentage was that low, or was it in line with what you expected?**
    - **Why do you believe more people were not aware of the Breast Cancer Research Semipostal, and what additional action could the Service have taken to heighten awareness and increase sales?**

Answer: We are pleased to learn from the GAO audit that 24 percent of the adult population is aware of the Breast Cancer Research stamp. With everything that goes on in this country on a weekly, monthly, or even on a yearly basis, it is gratifying to learn that approximately 1 out of every 4 adults in this country is aware of the Breast Cancer Research semipostal stamp. Obviously, through our in-store messaging (signage) in post offices and through media events with national and local breast cancer awareness groups, doctors, and hospitals we have been able to increase awareness of this stamp issuance.

11. **Ms. Willhite, the GAO's report indicated that the Breast Cancer Research Semipostal was not generating as much revenue as most foreign semipostals on a per capita basis.**

    - **Why do you believe the Breast Cancer Research Semipostal did not do as well as most foreign semipostals in this area?**

Answer: It has been, and continues to be the belief of the Postal Service that any legislation requiring the production and sale of semipostal stamps for charitable purposes would receive a mixed reaction from the American citizens. This is not because this country has been historically slow to provide charitable contributions, but rather because of the many alternatives offered the American citizen to provide contributions. We refer to the statement within the GAO report on page 50, which states that the Postal Service position, "has been that because the United States already had a philanthropic tradition unmatched by other nations, semipostals would be perceived as yet another solicitation and a public intrusion in an area where initiative and generosity have had very beneficial results." It is our belief that this concern may be a primary factor when considering the total sales of the Breast Cancer Research stamps on a per capita basis in conjunction with other semipostal issues of foreign postal administrations.

12. **Ms. Willhite, currently the only way to make a contribution to breast cancer research through this program is to purchase the Breast Cancer Research Semipostal.**

    - **Has the Postal Service given any thought to allowing bulk mailers to participate in the semipostal program without having to affix semipostals to their mail.**

Answer: The Postal Service has not at this point considered offering participation in the semipostal program to the larger bulk mailers because of the following considerations:

a) The current legislation and campaign is targeted at the individual citizen's and corporation's mailings at the full First Class rate of postage.
b) There has been no demand on the part of our bulk mailing community for participation in the semipostal or another Postal Service charitable contribution program.
c) As this was the very first U.S. semipostal, any expansion beyond the original design of the program would be premature without the benefit of the experience we will garner from the Breast Cancer Research stamp sales.
d) The administrative costs associated with expanding the semipostal program to the bulk mailing community would need to be carefully studied. The processes associated with the large volume discounted mailings are far more complex than those associated with the mailing of full-rated matter that need bear only a stamp, whose purchase and use can be directly tied to the charitable requirements associated with the semipostal legislation.

Mr. Akaka's Questions for Deborah Willhite
U.S. Postal Service

1] Ms.Willhite, I appreciate the concerns expressed by the Postal Service with regard to the issuance of additional semipostal stamps. The three points you raised in your testimony are well founded. How would you compare the sale of the Breast Cancer Research Stamp to the sales of the Service's blockbuster commemorative stamps?

Answer: The Breast Cancer Research stamp presents a unique situation that we do not encounter with other stamps, including blockbuster commemorative stamps. When the stamp was issued in July 1998, it was under the mandate that this stamp would be available for sale to the public through all sales channels until it is scheduled to come off sale in July 2000. When the First Lady announced the stamp issuance, she expressed the intention that the stamp would be available for everyone to use on his or her mail.

Different factors affect the sale of the Breast Cancer Research stamp when it is compared to the sales of other commemorative stamps. The Breast Cancer Research stamp is a mail-use stamp and the print quantity for mail-use stamps factors in nationwide use for multiple years. Additionally, unlike commemorative stamps, mail-use stamps can be reprinted when inventory quantities are depleted.

2] Obviously there are differences between the BCRS, which includes a surcharge to raise money, and blockbuster commemoratives. The GAO found that the Service had not determined what costs would be recouped from the surcharge revenue.

Why didn't the Postal Service use the same or similar cost accounting procedures utilized with commemoratives as with the BCRS?

Answer: Until the issuance of the BCRS, the Postal Service did not capture costs associated with individual stamp issues. However, in the initial planning for a cost identification and recovery policy, we determined what costs were to be recouped. In order to comply with the requirements of the Act, we developed a tracking mechanism specifically and solely for the purpose of capturing data on the costs and revenues for the development, distribution, promotion, and sale of the BCRS. This was necessary because our current systems track stamp sales in aggregate.

3] You mentioned that the success of the Breast Cancer Research stamp does not guarantee the success of other semipostals and that there was a massive and sustained movement in behalf of the stamp.

From what I know, the Postal Service did an outstanding job of promoting the stamp and won a REGGIE award from the Promotion Marketing Association for its efforts. Your testimony includes marketing information on the promotion of the stamp and how the Postal Service interfaced with outside organizations. Would you describe these partnerships, cooperative ads, and events undertaken in behalf of the stamp?

Answer: The Breast Cancer Research semipostal stamp was dedicated and issued at the White House on July 29, 1998. This event launched an integrated marketing and communication plan that was built around three major goals and strategies. Major partnerships, cooperative ads and events include:

- In May 1998, the Breast Cancer Research semipostal stamp was unveiled at the Revlon Run/Walk for Women in Los Angeles, CA. This event afforded us an opportunity to create awareness at an existing venue that attracted approximately 40,000 to 50,000 participants. As a result of the huge success and the national media coverage we received from this event, we again partnered with Revlon in 1999 at the New York and California events, clearly increasing stamps sales in each respective area.

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GAO Answers to Questions From Senator Akaka

DRAFT

Question 1: One aspect of the GAO report focuses on semipostals in other countries. The percentage of total surcharge revenue transferred to a designated beneficiary varies from 100 percent by the Canadian and New Zealand postal services on two stamps to 71.5 percent by Austria on a stamp collecting semipostal. The American BCRS fell in the middle with 97.67 percent going to the beneficiaries—the NIH and Department of Defense.

Given the Postal Services' concern that not every semipostal would enjoy the tremendous success of the Breast Cancer Research stamp, are there any steps that could be taken to ensure low recovery costs should there be additional semipostal stamps?

Response: Cost recovery associated with a semipostal can be affected by how well the semipostal sells, the amount of its administrative costs and whether these costs are borne by the semipostal, the government, or the issuing postal administration. Sometimes, the government or the issuing postal administration subsidizes the administrative costs associated with semipostals. In the case of the BCRS, no such subsidy is to occur—(i.e., the Postal Service is to recoup its reasonable administrative costs from the surcharge revenue generated by the BCRS). If there are additional semipostals, the Postal Service could establish an accounting system to monitor the administrative costs of semipostals and work towards reducing these costs to the lowest levels possible. Also, the negative impact of administrative costs on surcharge revenue can be reduced if the semipostal sales are successful; otherwise, a situation could exist where administrative costs significantly erode the surcharge revenue available for transfer to the beneficiary. The Postal Service could help ensure that any future semipostal sales are successful by doing advance market research to identify the worthy causes that have wide appeal and a nationwide network of sponsors to help promote sales of the semipostal. Also, we found that the U.S. Mint's most successful commemorative coins, in terms of total sales, occurred when there was only one coin on the market per year. We suggested to Congress that it consider limiting the number of commemorative coin programs to one per year. Similarly, Congress could limit the number of different semipostal stamps available for sale to one each year to help ensure higher sales of semipostals through reduced competition.

Question 2: I was interested in the comments made by other key stakeholders on semipostals as fundraisers. The National Breast Cancer Coalition believed the BCRS' administrative and advertising costs could be high in relation to the money raised. It appears that this has not been the case. Why do you feel that the Coalition held these views?

Response: The National Breast Cancer Coalition (NBCC) expressed its concern about administrative and advertising costs for the BCRS in its written comments on a draft of our report (NBCC's comments were incorporated into the final report). However, NBCC did not explain why it held these views, other than to say that "[its] analysis, based on information received from sources that included the Post Office, indicated that the administrative and public relations costs would exceed or come close to the amount of income received from the stamp." Nor did NBCC provide us with the details of its analysis.