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TREASURY-POST OFFICE DEPARTMENTS AND EXECUTIVE OFFICE APPROPRIATIONS FOR 1963

GOVERNMENT
Storage

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH CONGRESS

SECOND SESSION

SUBCOMMITTEE ON TREASURY-POST OFFICE DEPARTMENTS APPROPRIATIONS

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AUBREY A. GUNNELS, *Staff Assistant to the Subcommittee*

POST OFFICE DEPARTMENT

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TREASURY-POST OFFICE DEPARTMENTS AND EXECUTIVE OFFICE APPROPRIATIONS FOR 1963

MONDAY, JANUARY 15, 1962.

POST OFFICE DEPARTMENT

WITNESSES

HON. J. EDWARD DAY, POSTMASTER GENERAL
H. W. BRAWLEY, DEPUTY POSTMASTER GENERAL
FREDERICK C. BELEN, ASSISTANT POSTMASTER GENERAL, BUREAU OF OPERATIONS
WILLIAM J. HARTIGAN, ASSISTANT POSTMASTER GENERAL, BUREAU OF TRANSPORTATION
RALPH W. NICHOLSON, ASSISTANT POSTMASTER GENERAL, BUREAU OF FINANCE
SIDNEY W. BISHOP, ACTING ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES
RICHARD J. MURPHY, ASSISTANT POSTMASTER GENERAL, BUREAU OF PERSONNEL
HENRY B. MONTAGUE, CHIEF POSTAL INSPECTOR
LOUIS J. DOYLE, GENERAL COUNSEL
EDWARD E. HARRIMAN, DIRECTOR, OFFICE OF RESEARCH AND ENGINEERING
JAMES R. THOMASON, ASSISTANT DEPUTY POSTMASTER GENERAL
LINDSLEY H. NOBLE, DEPUTY ASSISTANT POSTMASTER GENERAL AND CONTROLLER, BUREAU OF FINANCE
CLARENCE N. BRUCE, ASSISTANT CONTROLLER FOR BUDGET, BUREAU OF FINANCE

Mr. GARY. The committee will come to order.

We will begin today the hearings on the request of the Post Office Department for the fiscal year 1963.

The appropriations for the Post Office Department for 1962 were $4,368,500,000. The estimates for 1963 are $4,553,694,000, which is an increase over 1962 of $185,194,000.

JUSTIFICATION OF THE ESTIMATE

We will insert at this point in the record the pages S–1 through S–17 of the justifications.

(The material referred to is as follows:)

Financial and statistical summary, 1961–63

[In millions]

Item	1961 actual	Percent increase	1962 estimate	Percent increase	1963 estimate	Percent increase
Net appropriation obligation	$4,249	9.7	$4,366	2.8	$4,554	4.3
Adjustment to accrued cost	−52		−24		−54	
Net operating expense, accrual basis	4,197		4,342	3.5	4,500	3.6
Net revenue at existing rates (including public services)	3,423	4.5	3,564	4.1	3,916	9.9
Revenue deficiency at existing rates, accrual basis	774		778		584	
Adjusted to fund basis	52		24		54	
Fund deficiency at existing rates	826		802		638	
Payment for public services	49		63		248	
Treasury financing at existing rates	875		865		886	
Volume of mail (pieces)	64,933	2.0	66,975	3.2	70,284	4.9
Special services (transactions)	632	−4.2	606	−4.1	589	−2.8
Employment (total man-years)	577,498	2.0	589,653	2.1	605,115	2.6
Cost per million pieces (total cost)	$64,636		$64,830	0.3	$64,030	−1.2

Estimated volume of mail and special services, and postal revenue for fiscal years 1961, 1962, and 1963

Classification	1961 actual				1962 estimate				1963 estimate			
	Pieces or transactions	Postal revenue	Percent of increase over 1960		Pieces or transactions	Postal revenue	Percent of increase over 1961		Pieces or transactions	Postal revenue	Percent of increase over 1962	
			Units	Revenue			Units	Revenue			Units	Revenue
Domestic mail:	*Thousands*	*Thousands*			*Thousands*	*Thousands*			*Thousands*	*Thousands*		
1st class	34,288,943	$1,558,074	3.17	3.18	35,665,975	$1,664,716	4.02	6.84	37,755,264	$1,779,567	5.86	6.90
Airmail	1,452,687	170,801	7.15	8.61	1,544,206	186,680	6.30	9.30	1,645,814	200,137	6.58	7.21
2d class	7,965,971	89,065	5.73	9.70	8,445,021	95,636	6.01	7.38	9,084,925	104,087	7.58	8.84
Controlled circulation publications	152,568	8,198	22.37	9.02	167,100	9,264	9.52	13.00	186,149	10,410	11.40	12.37
3d class	17,568,833	497,545	−1.91	12.72	17,550,000	500,587	−.11	.61	17,771,000	507,540	1.26	1.39
4th class	978,282	626,035	−3.71	3.10	976,521	600,445	−.18	−4.09	988,044	609,977	1.18	1.59
Penalty and official mail	1,860,390	85,833	1.91	4.18	1,942,619	90,298	4.42	5.20	2,151,251	99,327	10.74	10.00
Franked mail	85,662	3,836	−21.16	17.34	94,394	4,131	10.19	7.69	111,262	4,238	17.87	2.59
Free-for-the-blind mail	5,284		15.45		5,377		1.76		5,666		5.37	
Total domestic mail and revenue	64,358,620	3,039,387	1.97	5.16	66,391,213	3,151,757	3.16	3.70	69,699,375	3,315,283	4.98	5.19
International mail (originating):												
Surface mail	364,034	41,911	−.46	−5.35	356,051	47,411	−2.19	13.12	339,353	50,378	−4.69	6.26
Airmail	210,205	50,625	8.24	11.90	227,736	56,238	8.34	11.09	245,272	60,981	7.70	8.43
Mail transit revenue		15,022		17.80		15,319		1.98		15,917		3.90
Total international mail and revenue	574,239	107,558	2.56	5.16	583,787	118,968	1.66	10.60	584,625	127,276	.14	6.98
Total volume and revenue from mail	64,932,859	3,146,945	1.98	5.16	66,975,000	3,270,725	3.15	3.93	70,284,000	3,442,559	4.94	5.25
Special services:												
Mail-connected special services	363,293	133,434	−1.48	−2.24	353,743	134,786	−2.63	1.01	347,289	132,536	−1.82	−1.67
Money order revenue	265,666	62,606	−3.43	−3.11	248,857	65,878	−6.33	5.23	238,666	64,321	−4.10	−2.36
Outstanding money orders taken into revenue		1,558		−90.60		1,558		0		1,558		0
Postal savings revenue	3,175	5,492	−22.69	−21.65	3,115	4.329	−1.89	−21.18	2,959	3,053	−5.01	−29.48
Box rents		30,156		4.76		30,766		2.02		31,313		1.78
Total special services revenue		233,246		−7.98		237,317		1.75		232,781		−1.91
Unassignable revenue		9,225		12.81		8,758		−5.06		8,360		−4.54
Total revenue from mail and special services		3,389,416		4.15		3,516,800		3.76		3,683,700		4.75

Estimated volume of mail and special services, and postal revenue for fiscal years 1961, 1962, and 1963—Continued

Classification	1961 actual				1962 estimate				1963 estimate			
	Pieces or transactions	Postal revenue	Percent of increase over 1960		Pieces or transactions	Postal revenue	Percent of increase over 1961		Pieces or transactions	Postal revenue	Percent of increase over 1962	
			Units	Revenue			Units	Revenue			Units	Revenue
	Thousands	*Thousands*			*Thousands*	*Thousands*			*Thousands*	*Thousands*		
Deduct: Expenditures not subject to appropriations:												
Judgments		$809		90.80		$750		−7.29		$750		0
Stamp-embossed envelope purchases		7,375		−2.59		7,750		5.08		7,750		0
Indemnities, claims, etc		7,173		4.87		7,000		−2.41		7,000		0
Total, expenditures not subject to appropriations		15,357		3.52		15,500		.93		15,500		0
Net revenue from mail and services		3,374,059		4.16		3,501,300		3.77		3,668,200		4.77
Add: Receipts for public services		49,000		31.02		62,700		27.96		247,800		295.22
Total, net postal revenue		3,423,059		4.46		3,564,000		4.12		3,916,000		9.88

NOTE.—In the fiscal years 1962 and 1963, 2d- and 3d-class mail revenue includes estimated additional revenue from anticipated changes in notification-of-address procedures.

Postal fund—Statement of revenue and expense

[In thousands]

	1961 actual	1962 estimate	1963 estimate
Revenue:			
Mail and services revenue	$3,389,416	$3,516,800	$3,683,700
Receipts from appropriation "Payment for public services"	49,000	62,700	247,800
Reimbursement for nonpostal services and operating expenses	38,203	41,783	43,788
Total revenue and operating receipts	3,476,619	3,621,283	3,975,288
Operating expense:			
Postal installations:			
Funded costs:			
Administration of postal installations	429,532	441,629	451,441
Mail handling and window service	1,501,197	1,537,098	1,594,800
Collection and delivery service	1,261,267	1,298,676	1,337,089
Facilities	115,817	134,862	148,458
Other expenses	181,279	194,770	202,521
Total funded costs, postal installations	3,489,092	3,607,035	3,734,309
Nonfund costs:			
Depreciation	41,496	45,300	51,300
Maintenance and repair, GSA	15,000	15,600	16,700
Workmen's compensation cost prior to Dec. 2, 1960	2,674	----------	----------
Unemployment insurance	11,600	10,000	9,000
Total, nonfund costs, postal installations	70,770	70,900	77,000
Total postal installations	3,559,862	3,677,935	3,811,309
Transportation of mail, funded cost	592,898	618,571	642,537
Contract research, development and engineering, funded cost	11,700	11,750	11,515
Regional and headquarters offices:			
Funded costs:			
Administration and regional operation	70,603	74,764	77,506
Facilities	11,800	12,335	12,750
Total funded costs, regional and headquarters offices	82,403	87,099	90,256
Nonfund costs, depreciation	470	500	500
Total regional headquarters offices	82,873	87,599	90,756
Other general expenses:			
Funded costs	3,316	3,550	3,550
Nonfund costs	−50	−100	−100
Total general expenses, net	3,266	3,450	3,450
Total funded costs	4,179,409	4,328,005	4,482,167
Total nonfund costs	71,190	71,300	77,400
Total expense	4,250,599	4,399,305	4,559,567
Revenue deficiency:			
Postal deficit, accrued cost basis	[1] 755,380	758,622	584,279
Unreimbursed services performed for other Government agencies	[1] 18,600	19,400	----------
Total deficiency, accrual basis	773,980	778,022	584,279

[1] Preliminary allocation of deficiency.

Financial condition—Postal fund

[Thousands of dollars]

	1960 actual	1961 actual	1962 estimate	1963 estimate
Fund assets:				
Treasury balance	$373,404	$333,409	$345,509	$347,864
Accounts receivable, net [1]	53,506	60,561	61,000	61,000
Advances to General Services Administration for repairs and improvements, and other advances	28,409	12,246	12,000	12,000
Total fund assets	455,319	406,216	418,509	420,864
Unliquidated obligations: [2]				
Accounts payable and other funded liabilities including deferred and undistributed credits	303,358	229,581	242,466	250,667
Undelivered orders	144,961	169,635	169,043	163,197
Total funded obligations	448,319	399,216	411,509	413,864
Government equity, air carriers revolving fund	7,000	7,000	7,000	7,000

[1] Does not include contingent receivables based on contested CAB orders in the amount of $7,900,000 at June 30, 1961. ($7,800,000 of the contingent receivable at June 30, 1961, may become a contingent liability of $5 million if decision favors the carrier.)

[2] Unliquidated obligations do not include: (1) Undetermined amounts of postage in the hands of the public which, for practical considerations, have been accounted for as revenue when sold, and (2) the following contingent and future obligations which by law the Department may not fund or account for as obligations until payments are due: contingent liabilities for cases still pending before CAB in the amount of $400,000 at June 30, 1961, and contingent liabilities for pending suits and damage claims of $31,900,000 at June 30, 1961, a substantial portion of which are expected either to be settled at less than the amount claimed or disallowed; unpaid balances under lease-purchase contracts; actual and potential liability to employee compensation fund for payments made or to be made on account of service-connected accidents of employees occurring after Dec. 1, 1960; and undetermined amounts for employees' accrued leave and long-term leases.

Postal service resources and unfunded liabilities

[Thousands of dollars]

	1960 actual	1961 actual	1962 estimate	1963 estimate
Assets (including resources on order):				
Assets on hand:				
Materials and supplies	$7,859	$6,186	$5,200	$6,200
Lands, buildings, and leasehold improvements, net	276,992	274,632	300,273	331,414
Machinery and equipment, net	222,326	227,280	279,979	308,476
Structures and facilities under construction	45,050	90,044	70,000	100,000
Total assets on hand	552,227	598,142	655,452	746,090
Resources on order:				
Research and development	12,124	15,692	9,092	9,192
Fixed assets	129,977	149,938	155,946	150,000
Inventories	2,860	4,005	4,005	4,005
Total resources on order	144,961	169,635	169,043	163,197
Total assets on hand and on order	697,188	767,777	824,495	909,287
Unfunded liabilities:				
Potential payments to employees compensation fund for accidents after Dec. 1, 1960		3,743	10,143	15,160
Lease-purchase contracts outstanding	7,635	7,456	7,196	6,856
Total unfunded liabilities	7,635	11,199	17,339	22,016
Government equity in postal service:				
Balance beginning of year	575,801	689,553	756,578	807,156
Prior year adjustments to assets on hand		−17,697		
Current year—appropriations used	597,135	826,355	802,000	637,694
Current year—revenue deficiency, accrual basis	−488,371	−773,980	−778,022	−584,279
Prior year—appropriations used adjustments, net	1,512	−1,365		
Prior year—revenue and expense adjustments, net		2,674		
Transfers from other agencies, net	3,476	31,038	26,600	26,700
Balance end of year	689,553	756,578	807,156	887,271
Total unfunded liabilities and equity	697,188	767,777	824,495	909,287

Summary—Obligations-revenue-deficit, 1961–63

[In thousands]

Appropriation	1961 actual	1962 estimate	Increase, 1962 over 1961		1963 estimate	Increase, 1963 over 1962	
			Amount	Percent		Amount	Percent
Administration, regional operation, and research	$87,215	$82,000	−$5,215	−6.0	$91,194	$9,194	11.2
Operations	3,350,729	3,447,000	96,271	2.9	3,562,000	115,000	3.3
Transportation	557,524	579,500	21,976	3.9	601,500	22,000	3.8
Facilities	136,227	152,500	16,273	11.9	177,000	24,500	16.1
Plant and equipment	117,720	105,000	−12,720	−10.8	122,000	17,000	16.2
Total obligations	[1] 4,249,414	4,366,000	[1] 116,586	2.7	4,553,694	187,694	4.3
Net revenue (including payment for public services)	[2] 3,423,059	[2] 3,564,000	140,941	4.1	[2] 3,916,000	352,000	9.9
Postal deficit (fund basis)	826,355	802,000	−24,355	−2.9	637,694	−164,306	−20.5
Total increase over prior year	229,320	−24,355			−164,306		

[1] Does not add due to rounding.

[2] Public services included:

1961	$49,000
1962	62,700
1963	247,800

Capital and research program, 1961–63

[Obligations in thousands]

Appropriation	1961 actual	1962 estimate	Increase, 1962 over 1961		1963 estimate	Increase, 1963 over 1962	
			Amount	Percent		Amount	Percent
CAPITAL							
Administration, regional operation, and research: Equipment	$237	$124	−$113	−47.68	$92	−$32	−25.81
Facilities:							
Lease purchase capitalized	179	260	81	45.25	340	80	30.77
Leasehold improvements capitalized	681	800	119	17.47	800		
Site acquisition	1,471	1,180	−291	−19.78	10,000	8,820	747.46
Mail equipment shops	6,164	5,310	−854	−13.85	4,499	−811	−15.27
Total	8,495	7,550	−945	−11.12	15,639	8,089	107.14
Plant and equipment:							
Federal buildings improvement	60,960	51,587	−9,373	−15.38	44,280	−7,307	−14.16
Major mechanization projects	10,567	10,000	−567	−5.37	27,000	17,000	170.00
Vehicle program	17,732	11,763	−5,969	−33.66	18,424	6,661	56.63
Other equipment	28,461	31,650	3,189	11.20	32,296	646	2.04
Total	117,720	105,000	−12,720	−10.81	122,000	17,000	16.19
Total capital	126,452	112,674	−13,778	−10.90	137,731	25,057	22.24
Less items charged to expense	−3,474	−3,410	+64	−1.84	−2,999	+411	−12.05
Net capital	122,978	109,264	−13,714	−11.15	134,732	25,468	23.31
RESEARCH							
Administration, regional operation, and research: Contract research, development, and engineering	14,490	5,150	−9,340	−64.46	11,615	6,465	125.53
Total capital and research program	137,468	114,414	−23,054	−16.77	146,347	31,933	27.91

Funds available, 1961–62

[In thousands]

Appropriation	Annual appropriation	Supplemental appropriation	Appropriation transfers	Adjusted appropriation	Comparative transfers	Comparative appropriation
1961 appropriation:						
Administration, regional operation, and research	$73,300	$4,620	$1,991	$79,911	$8,240	$88,151
Operations	3,117,500	237,041	2,300	3,356,841	----------	3,356,841
Transportation	548,700	18,900	−4,600	563,000	----------	563,000
Facilities	168,000	578	−30,798	137,780	----------	137,780
Modernization and improvement of buildings and equipment	100,000	----------	31,107	131,107	−125,960	[1] 5,147
Plant and equipment	----------	----------	----------	----------	117,720	117,720
Subtotal	4,007,500	261,139	----------	4,268,639	----------	4,268,639
Payments for public services	49,000	----------	----------	49,000	----------	49,000
Total	4,056,500	261,139	----------	4,317,639	----------	4,317,639
1962 appropriation:						
Administration, regional operation, and research	82,000	----------	----------	82,000	----------	82,000
Operations	3,434,000	----------	13,000	3,447,000	----------	3,447,000
Transportation	590,000	----------	−8,000	582,000	----------	582,000
Facilities	152,500	----------	----------	152,500	----------	152,500
Plant and equipment	110,000	----------	−5,000	105,000	----------	105,000
Subtotal	4,368,500	----------	----------	4,368,500	----------	4,368,500
Payments for public services	62,700	----------	----------	62,700	----------	62,700
Total	4,431,200	----------	----------	4,431,200	----------	4,431,200

[1] Represents unobligated balance not transferred.

General Statement

Our main objectives since assuming responsibility for the operation of the Postal Establishment have been twofold:

1. Provide service. In the Postal Policy Act of 1958, Congress declares as its policy "that the post office is a public service." Our first concern is to provide the high-quality postal service that the public needs, wants, and deserves.

2. Close the gap between cost and revenue. Overall Government policy calls for making proper user charges when the Government service can be measured and specific users can be identified. The Postal Policy Act is specific in applying this policy to the postal operation. In pursuit of this objective we have actively sought legislative revision of rates set by Congress, raised international postal rates under our administrative authority, raised to the maximum extent now possible the rates for special services under our administrative authority, and begun the process of gaining the consent of the Interstate Commerce Commission for reformations in the fourth-class parcel and catalog service so as to get added revenue to cover costs as required by law.

Our efforts to close the gap between cost and revenue have not been restricted to efforts to raise revenues. They also include determined action to reduce costs.

Action to reduce or control cost include institution of a new work measurement system, elimination of "frills," cancellation of certain public relations efforts and publications, tests of cost-cutting methods in post offices, which methods will be extended if successful, reduction of Christmas assistants, and a new and more efficient method of handling Christmas mail.

These are immediate steps that help to close the gap. However, the total of these savings is very small compared with the size of the gap. Real progress in reducing cost can be made only by substantial improvements in productivity. This calls for a long-term program involving physical plant on the one hand and methods and equipment on the other.

The postal complex consists of almost 35,000 post offices. In general, our present plant is woefully inadequate for our workload by modern-day standards. By the end of the 1960's we anticipate an increase in mail volume in excess of 40 percent beyond the level of 63 billion pieces handled in 1960. We are applying

an unprecedented effort to expand and modernize our mail-processing facilities to permit postal employees to operate more efficiently.

Over three-quarters of the $4.5 billion budget now under review will be used for salaries to supply the manpower to move the mails. The method of processing mail today is much the same as it was decades ago.

Today we have a national population of about 184 million and mail volume estimated at about 70 billion pieces for 1963. By 1980 population will be approximately 260 millon, and mail volume will approach 125 billion pieces.

Today we have a total work force of 580,000 people. Unless we find ways to change past patterns, whereby manpower increased nearly as fast as volume and costs increased even faster, our manpower and budget requirements will reach exceedingly high levels by 1980.

To change past patterns requires a technological revolution.

Any substantial progress toward closing the gap by means of cost reduction depends on the long-term results of a sound construction program for buildings and a resultful research and development program for equipment.

Mail volume.—It is anticipated that the continuing vigorous advance of the national economy will carry postal mail volume to new heights at an accelerating rate. The budget estimates for 1963 are based on expected volume of 70.3 billion pieces of mail, an increase of 4.9 percent over that expected for fiscal 1962 and 8.2 percent over the actual volume of 64.9 billion handled in 1961.

The 1963 forecast includes 37.8 billion first-class letters and cards, 1.6 billion airmail items, 9.3 billion magazines, newspapers and other publications, 17.8 billion pieces of printed matter and small parcels, and about 1 billion zone rate parcels, catalogs and other fourth-class matter. Comparisons of these and other items of postal workload and their related revenues for 1963 with the corresponding estimates for 1962 and actual results for 1961 appear in the table on page S–2.

Obligations and accrued costs.—During fiscal 1961 the accounting system of the Department, which had been expanded in 1960 to incorporate accrued cost data, was perfected to the point where accrued costs can now be used to give a more complete budget presentation by fully disclosing the application and consumption of all resources available to or requested for the postal service.

Expenditure authority is still requested in terms of obligations to be incurred, but the supporting schedules show the relationship of obligations to cost by taking into account the work actually performed and the physical assets actually received. In addition costs are segregated between capital and operations. To the latter are added costs not involving current appropriations, such as depreciation of buildings and equipment and services rendered by other agencies without reimbursement. The operating expenses of the Department are thus reported and projected in accordance with generally accepted accounting principles as well as in terms of obligations incurred.

Table S–1 gives the financial and statistical summary of the Post Office Department for the 3 years 1961–63. This table shows the financial requirements of the Department in terms both of appropriation obligations and net accrued operating expenses. The principal elements of difference between obligations and operating expenses on an accrual basis are capital requirements which appear in obligations but not in operating expenses and depreciation and services rendered by other agencies without reimbursement which are included in operating expenses but not in the Department's obligations. The following shows how the net difference is arrived at in going from obligations to accrued operating expenses:

[In millions]

	1961 actual	1962 estimate	1963 estimate
Deduct capital obligations financed by appropriations	−123.0	−109.3	−134.7
Add nonfund expenses:			
Depreciation	41.9	45.7	51.7
Services financed by other agencies	29.3	25.6	25.7
Add or deduct net changes in selected resources	−.6	14.0	3.9
Net adjustment from obligations to operating expenses	−52.4	−24.0	−53.4

Net operating expenses on an accrual basis for 1963 are projected at $4,500 million, an increase of 3.6 percent over the estimate of $4,342 million for 1962. Since the projections are based on an anticipated increase in mail volume of 4.9 percent, the 3.6 percent increase in operating expenses for 1963 will result in a lower unit cost than was the case in 1962. The cost per million pieces of mail for 1963 is estimated at $64,030, a reduction of 1.2 percent from the 1962 estimate of $64,830.

Financing.—The postal service is financed by (1) postal revenues, (2) receipts of appropriations from the Treasury general fund for identified public services, and (3) by an indefinite appropriation from the general fund to the extent of any deficiency between the sum of these and the amount annually authorized for obligations. Postal revenues, at currently authorized rates, are projected at a steady increase approximately paralleling the anticipated growth in mail volume. For 1963 the increase in postal revenue, apart from public services, amounts to $167 million, which is $9 million more than the increase in accrued operating expenses.

For 1963 the reimbursement from the general fund for public service losses is estimated at $247.8 million compared with $62.7 million appropriated for 1962 and $49 million for 1961. The substantial increase proposed for 1963 is the result of substituting total loss on free and reduced rate mail for revenue foregone previously used and of including the loss on special and nonpostal services previously excluded. This, we believe, the law intended. Furthermore, these changes, we believe, are necessary in order to obtain in the legislative reformation of postage rates as contemplated by the Postal Policy Act of 1958 (39 U.S.C. 2301–2305) and so urgently needed to reduce the continued drain on the Treasury.

There is presently pending before the Interstate Commerce Commission, the Department's proposal to establish increased rates and other reformations affecting parcel post and catalogs. It is anticipated that necessary reformations of such fourth-class mail can be effective by July 1, 1962, so as to produce a net increase in revenue of $85 million, which will bring costs and revenue for this class of service within the allowed tolerance.

After giving effect to the proposed increase in public service allowances and the effect of the changes planned for parcels and catalogs, there still essentially remains the deficiency in postal revenues produced by the rising levels of costs since the last general increase in rates in 1958. This deficiency is estimated at about $500 million on the basis of accrued costs or $553 million on the basis of total fund requirements for 1963.

A bill was introduced in the first session of the present Congress (H.R. 7927) which, if enacted as originally introduced, would appear to meet these fund requirements and leave a small margin for further growth in costs. On the basis of the volume anticipated for 1963 this legislative proposal would produce in that year approximately $595 million in additional revenue and provide a further $26 million when the final rate step would become effective in fiscal 1964. The Department has given this bill its full support. Estimates of the additional revenue to be derived from such legislation, if enacted by July 1, 1962, have been incorporated in the President's budget, although not shown in this justification.

Legislation affecting 1963 estimates.—Public Law 86–767, approved September 13, 1960, provides that each Federal agency reimburse the Federal employees compensation fund for any payments made from that fund on account of injury or death of Federal employees for accidents occurring after December 1, 1960. The 1963 estimates include $1,383,000 for this purpose, which will cover payments made during the period December 2, 1960, through June 30, 1961, for accidents occurring during that period.

Obligations are included in the estimates under the various appropriations as follows:

Administration, regional operation, and research	$19,000
Operations	1,361,000
Facilities	3,000
Total	$1,383,000

The foregoing total represents only the portion of employee accident costs the Department is required to pay the compensation fund through June 30, 1963, under the new law. The estimates of the total cost of employee accidents occuring during the fiscal years 1961 through 1963 which have been included in operating expenses on an accrual basis amounts to $6.4 million annually.

Under the provisions of Public Law 87–270, effective July 1, 1961, employees salaries are protected from downgrading actions when such actions are not through the fault of the employee. The 1963 estimates include $500,000 for this purpose.

Language changes.—We are proposing the following changes in language for our 1963 appropriations:

1. In the appropriation payment for public services the amount estimated for the loss resulting from transmission of mails at free or reduced rates is the total loss (cost minus revenue, if any) resulting from such services. In past year appropriations, the amount considered as public services was the revenue loss (revenue foregone) rather than the total loss. Also, two additional items have been included in the public service estimates for 1963:

(*a*) Loss on nonpostal services, which includes services performed for other Government agencies for which little or no reimbursement is received.

(*b*) Loss on special postal services, such as registry, c.o.d., certified mail, etc. While some of these services are self-sustaining, the net effect of operating all special services is a loss when computed on the basis of fully allocated costs.

By including these two items, all but one of the public services enumerated in the Postal Policy Act will now be covered. That one relates to the "loss" on star routes and third- and fourth-class offices. This item has consistently been excluded because the Department knows of no practicable way of determining "losses" or "gains" on operating segments of an integrated service such as the postal system. Furthermore, any such "losses" would in large measure duplicate the losses already provided for under other public service categories.

2. In the appropriation, "Administration, Regional Operation, and Research," we are requesting that the phrase "including current increases made as a result of changes in plans in prior year contracts" be amended as follows: "including not to exceed $3 million for current increases in prior-year contracts thereunder in addition to current increases made as a result of changes in plans in such contracts." This language will permit more flexibility in the administration of research programs within specified limits. The present language, added by the Congress in 1961, and continued in 1962, effectively denied the relief which the Department sought and obtained from the Congress in 1960. The added language had the effect of limiting prior-year contract amendments that could be financed from current funds to those arising from "changes in plans." This authority the Department already had, but the added language did not make it possible for the Department to finance unforeseen cost increases of prior-year contracts out of current appropriations.

The adverse effect of the existing language on the Department's research program is potentially great. As everyone who has had experience in research work knows, it is not possible to estimate with exactness what it will cost to carry any given research project to conclusion. Most research contracts are therefore on a reimbursable cost basis and the best cost estimate available is used in drawing up the contracts and initially obligating the funds.

There are never sufficient funds available to cover the maximum possible cost that might be incurred for all contracts. When overruns do occur after the close of a year, it is sometimes possible to finance them with underruns from other contracts. If, however, such underruns are not adequate, and the prior-year appropriation is already fully obligated, the Department under the 1962 language has but two alternatives: First, terminate the contract, which could involve waste of funds; or, second, delay the project while a prior-year supplemental appropriation is sought and obtained from the Congress. The Department will experience difficulty in efficient utilization of research funds if this change is not made.

3. A change is requested in the language authorizing expenditures of not to exceed $25,000 for miscellaneous and emergency expenses, which appears under the "Administration, Regional Operation, and Research" appropriation. The proposal is to amend this language by the inclusion of the phrase "(including not to exceed $6,000 for official reception and representation expenses)." The revised language reads "not to exceed $25,000 for miscellaneous and emergency expenses (including not to exceed $6,000 for official reception and representation expenses)."

The language authorizing miscellaneous and emergency expenses up to $25,000 was first approved in our 1955 appropriation act. The Congress recognized the Postmaster General's need for the relatively small sum to be expended by him and other high officials of the Department for the necessary entertainment of

visiting dignitaries from foreign governments and others with whom they must have official relationship. This language has been repeated in each appropriation act since 1955.

Since this authorization appeared in the 1955 act, the Postmaster General has made judicious use of this limitation for the purpose of official entertainment. The total cost incurred for 1961 was only $4,000 and that for 1960, approximately $5,000. The fund is under his personal control and no expenditure may be made therefrom without his personal approval.

The current language does not specifically state that it includes entertainment expenses. We have, of course, been relying for our authority on the legislative history of the authorization in the 1955 act. The language which we now propose would expressly disclose the use of the fund for official entertainment and place a more restrictive limitation on the amount which would be expended for this purpose.

4. In the appropriation "Administration, Regional Operation, and Research," an increase from $20,000 to $25,000 is requested on the limitation on rewards for information and services. For many years the appropriation acts have authorized the expenditure of not to exceed $20,000 for securing information concerning violations of the postal laws. Disbursements under this authorization are made by postal inspectors to persons who furnish information of value in the apprehension of postal offenders. Such persons usually have underworld connections and canont safely permit their identity to be known. They are willing to aid for a small financial payment, but would not do so if they were required to make a formal application for reward. The increase requested is based on more current conditions in this area with respect to the number of such cases and the average payment required.

5. Similar language to that requested in "Administration, Regional Operation, and Research" for payments up to $3 million for current increases in prior-year contracts is requested in the "Plant and Equipment" appropriation. While the justification for this language has previously been given in terms of cost-type research contracts the same sort of situation prevails in work done through the General Services Administration which is financed through the "Plant and Equipment" appropriation. Funds for this work are obligated when firm authorization is given General Services Administration to proceed. At that time estimates of the cost of the work are based only on preliminary plans. When detailed plans are completed and the job has been advertised, the lowest acceptable bid may be more than the estimate made when the work was authorized. Without the language which has been requested it is necessary to charge such increases against the appropriation originally obligated. If there are not sufficient funds remaining unobligated in that appropriation by then, serious delays in making the ward may be encountered while the refinancing of the project is worked out. Deferment of currently programed projects could be involved resulting in further disruptions of schedules.

Mr. GARY. We are pleased to have with us today the Postmaster General and his staff, and, General Day, we shall be very glad to hear from you at the present time.

Mr. DAY. Thank you, Mr. Chairman.

I have a statement which is in the hands of the members of the committee, which I will not read; I will give a few high points, not a summary of the statement, but just a few high points to start off.

NEW MEMBERS OF POST OFFICE STAFF

I would like first, Mr. Chairman, to introduce several members of the staff who were not at the hearings a year ago.

First, Mr. William Hartigan, the Assistant Postmaster General for Transportation, who comes from the transportation industry and, we feel, brings us a great deal of experience in that field.

Mr. Richard Murphy, Assistant Postmaster General for Personnel. Unless there has been somebody appointed over the weekend—I did not notice—he is the youngest presidential appointee under the ad-

ministration, but has unusual maturity and experience in this particular field.

Mr. Edward Harriman is the head of our Office of Research and Engineering. He came with us from the Defense Department. A number of members of the committee met him a year ago when we made our tour out to the Food Machinery & Chemical Corp. plant.

Mr. Sidney W. Bishop a year ago was my confidential assistant. He is now acting as the Assistant Postmaster General in charge of the Bureau of Facilities. Mr. Bishop, I guess they recognize you.

Mr. Louis Doyle has been appointed by the President since our hearings last year as the General Counsel of the Department. He had long experience in the Department as Assistant General Counsel, and is well known to all the members of the committee, I am sure.

Mr. James Thomason also is known to the members. He was with the Bureau of Budget on loan to us at the time we had our hearings last year. Now he is Assistant Deputy Postmaster General.

Just a few days ago we had the retirement of Mr. Bert Barnes, who served for a year with us. We were very glad to have his experience during the first year of our administration.

I think that takes care of our new group.

Mr. GARY. The committee notes with regret the retirement of Mr. Barnes. He appeared before our committee on numerous occasions and he was always a good witness. We wish him peace, contentment and happiness in his retirement.

GENERAL STATEMENT OF THE POSTMASTER GENERAL

Mr. DAY. I should like to submit my statement for the record.

Mr. GARY. The statement will be inserted at this point in the record.

(The statement follows:)

Mr. Chairman and members of the committee, during the past year I have come to recognize that the Department has two major concerns. I can state them for you simply in two words: service and solvency.

(1) Service: The Department exists for the purpose of providing an essential service to the Nation as a whole. If it fails to do this, it has failed in everything.

(2) Solvency: By solvency I mean controlling costs and securing revenue so that the postal service as a whole operates substantially on a self-sustaining basis. Unless this objective is achieved the Department's ability to provide the service for which it exists is jeopardized and the taxpayer is unfairly burdened.

The Department has shaped its policy and undertaken a number of specific actions to reflect these two basic concerns.

Our concern with service has resulted in the Department's open-door policy toward employee associations, augmented training programs, new mail procedures such as the nationwide improved mail service (NIMS) program, and new methods for handling Christmas mail, among others.

Efforts to attain solvency have included revision of those rates over which the Department has administrative authority, submission as required by law of a proposal to increase the net revenues from fourth-class parcel and catalog service so that revenues will be within 4 percent of cost, and recommendations to the Congress for revising first-, second-, and third-class rates subject to legislative action.

We fully recognize however that solvency is to be attained not only by increasing revenues but also by reducing costs. We have abolished frills and impractical activities, but such efforts, desirable though they may be, can never provide the very large sums that are needed.

Major reduction of costs depends largely on developing new techniques of mail handling. I do not mean to imply that this need is a new discovery. Indeed the annual reports by Postmasters General over the years echo with the statement

that the Department recognizes the need for energetic programs of mechanical development and application. Some years ago this committee recognized the need and authorized a modernization appropriation for the purpose, but the Department is still only on the threshold of the technological revolution that is necessary if we are substantially to reduce the unit cost of mail handling.

Last year we pledged to you that we would not rush headlong into a program to mechanize post offices. Rather, we said, we would concentrate on developing key machines, subjecting the machines to careful test, and installing them in post offices only when performance had been proved. Letter, sack, and parcel sorters have been through the proving process and are now ready for installation in new major facilities where the service requires them and where they are economically justified.

Today we have an orderly development and equipment program that will help to give us improved productivity in years ahead. But mechanization alone cannot do this.

Management concepts and organization have been revised to furnish a base for more effective leadership at all levels—headquarters, regional offices, and post offices. New personnel policies have been adopted to recognize the importance of the postal worker, to give him self-respect, and so to improve his morale and performance.

HIGHLIGHTS OF PAST YEAR

On the following pages we summarize some of the tangible accomplishments of the Department. In this summary we refer to activities by names or descriptions that are familiar to you. However, our approach is new. We expect during our discussion to have an opportunity to explain in more detail the improvements we have introduced.

1. Improved personnel policies and programs are making the postal services a better place to work.

(*a*) Established a policy of genuine cooperation with employee associations, informing them and discussing in advance personnel plans and policies of interest to them.

(*b*) Announced a clear-cut policy forbidding discrimination on the basis of race, creed, color, or national origin in hiring and promotions in the postal service.

(*c*) Established a new personnel policy putting supervisor promotions in post offices strictly on a merit basis, without regard to political considerations.

(*d*) Created the new position of Special Assistant to the Regional Director for Employee Relations to emphasize the Department's interest in improved personnel programs and better relations with employee groups.

(*e*) Initiated development of new grievance and appeal procedures to assure fair and just settlements of conflicts.

(*f*) Prepared a code of ethics in compliance with President Kennedy's request that each department write and adopt a standard of ethics tailored to the demands of each individual department. It will be the purpose of the Post Office Department to see that the new code of ethics is enforced, so that the deportment of postal personnel is above question at all times.

(*g*) Established higher standards for the position of postmaster, in cooperation with the Civil Service Commission, taking into account operating and personnel problems which are faced by postmasters as managers of today's post offices.

(*h*) Systematized orientation for postmasters to enable them to assume effective charge of their offices.

(*i*) Focused new efforts on improving safety in vehicles operation and in the post offices.

2. We have taken steps to put the Department's research and engineering programs on a sound basis.

(*a*) Invited the Nation's industrial engineering and research talent to join the Department in solving the problems involved in processing and delivering the mail.

(*b*) Stopped ballyhoo and exaggerated claims regarding post office automation and mechanization. The administration is in favor of mechanization but wants to stick to proven methods of helping the employees handle the mail.

3. The nationwide improved mail service (NIMS) program was initiated.

(*a*) Concentrated on the large mailers, who generate 75 percent of the national mail volume, to reschedule their mailings of first-class mail and to spread them over the entire day, thereby leveling out the staggering volume of mail coming into the post office in the evening. Large mailers are being encouraged to mail bills, insurance premiums, bank statements, notices, and solicitations early each morning, and on a "cycle basis" instead of on the 1st and 15th of the month, where possible. As a result of this program, mail requiring high-speed transmission is expected to be handled and dispatched faster at the local post offices.

4. Introduced a revised work measurement system to evaluate 367.4 million man-hours annually.

(*a*) Reduced measurement of individuals' productivity to 1 week each accounting period instead of continuous measurement.

(*b*) Commenced development of local mail conversion factors to replace national conversion factors for converting footage and pounds of mail to pieces.

(*c*) Commenced development of simplified engineered standards to more accurately reflect local operating conditions.

5. Some significant transportation innovations were provided.

(*a*) Entered into a nationwide contract with the Greyhound Lines which enables the Department to dispatch letters and other preferential mail on any of the carrier's scheduled buses throughout the country. These passenger bus schedules are extremely valuable for expediting preferential mail overnight between cities for next morning delivery.

(*b*) Completed a tunnel between the New York City Main Post Office and Morgan Station to avoid congested city traffic and delays to trucks occasioned by long waiting to load and unload at crowded docks. The tunnel, 450 feet long, accommodates conveyors as well as trains of small trucks. The conveyors can move a carload of mail every 15 minutes. This system also relieves serious congestion at the loading platforms at Penn Station and the New York Central tracks at Morgan Station.

(*c*) Established excellent transcontinental airmail service through use of new jet flights between New York City and the west coast. As an example, a close coordination of postal schedules and the carriers' mail handling systems makes it possible for airmail pouches on hand at the docks of the New York City Post Office at 9:30 p.m. to arrive at the Los Angeles airport at 1:30 a.m. From that point the mail is dispatched throughout southern California.

(*d*) Established a piggyback operation to move empty mail bags in highway trailerloads on railway flatcars from the States of Florida and Georgia to Philadelphia and New York on a schedule almost equal to passenger train service. The 40-foot trailers are in many cases routed directly to the plants of publishers, mail order houses, and other heavy mailers, thus bypassing railroad station congestion and avoiding the shuttle and storage handling costs at mail bag depositories.

6. Programs and management functions of the 15 regional offices were strengthened.

(*a*) Placed the 15 regional offices under the direct supervision and management of the Office of the Deputy Postmaster General, through the Office of Regional Management, rather than under an individual bureau as in the past. The purpose is to put the Deputy Postmaster General and his staff in more effective position to help the regional directors and, through them, the postmasters.

(*b*) Appointed regional directors who are responsive to the new postal administration.

(*c*) Established weekly nationwide telephone conferences whereby the Postmaster General, the Deputy Postmaster General, and the bureau and office heads confer with regional officials. This procedure enables headquarters at Washington to keep abreast of developments in the field. It permits prompt discussion and rapid transmission of new policy directives to regional directors and quick decisions on their problems, eliminating the time and expense involved in traveling to and from headquarters.

7. Frills and impractical activities were abolished in areas of the Department which did not contribute directly to basic goal of the best mail service in the most efficient manner.

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(*a*) Established our public relations program on a positive, informational basis rather than on "selling" the Post Office Department's viewpoint to Congress and to the public at large.

(*b*) Discontinued production of a certain type of motion pictures which cost some $150,000 a year, but were virtually worthless.

(*c*) Abolished the propaganda-oriented "house organ," Postal Service News, which had been used as a vehicle to talk back to employee publications. This action will save about $160,000 per year.

(*d*) Transferred the Postal History Museum, formerly operated at Post Office Department Headquarters, to the Smithsonian Institution which has the primary responsibility for such historical exhibits.

(*e*) Reduced the number of commemorative stamps to be issued each year to a maximum of 15, compared with 42 issued during 1960. This action will enhance the prestige and quality of commemorative stamps.

8. In response to President Kennedy's directive, the Post Office Department materially accelerated its building program as an aid to combating the recession. As the recession ended, the Department was adjusting its program to serve areas where postal units most urgently needed attention.

9. Submitted a bill to Congress calling for increases in mail rates to reduce the gap between Post Office Department revenues and outgo (over $800 million for fiscal 1961). This bill is designed to put the Department on a break-even basis, after excluding costs of public services.

1963 BUDGET

The fiscal position of the Department for the fiscal years 1961, 1962, and 1963 is summarized in the following table:

[In millions]

	1961	1962	1963
Net appropriation obligations	$4,249	$4,366	$4,554
Net revenue (excluding public services)	3,374	3,501	3,668
Fund deficiency under existing legislation	875	865	886
Proposed pay increase			60
Potential fund deficiency	875	865	946
Proposed postal rate increases			−595
Proposed parcel post revisions			−85
Estimated fund deficiency	875	865	266
Public services allowance	−49	−63	−248
Fund deficiency after public services allowance	826	802	18

This summary of the budget is stated in terms of appropriation obligations. On this basis there would be a fund deficiency after public services allowance of $18 million estimated for 1963. Accrued costs for 1963 have been estimated as being $54 million less than obligations, so on an accrued cost basis there would be no deficiency, but rather a surplus of $36 million.

The estimated obligation of $4,554 million does not embody any major changes in program. As I have highlighted in other parts of this statement, we are continuing our program of research and modernization.

The basic premise upon which the 1963 budget is based is the workload that will accrue from an estimated 70.3 billion pieces of mail which we expect to handle that year. This is an increase of 4.9 percent over the 67 billion pieces we estimate for 1962. This estimate follows the trend of known economic indicators as interpreted by some of the best economists (including the Council of Economic Advisers to the President) whose advice we have been able to obtain. All economic factors now point to a general upsurge in the Nation's economy. This will, of course, affect mail volume. We know from past experience the correlation between the economic indicators which we use (most importantly personal income and population) and mail volume.

The 4.9-percent increase estimated for 1963 compares with an expected 3.2 percent in 1962. We do not yet have any official volume figures for the current year, but preliminary reports from post offices show an increase of 2.1 percent through December 8, 1961. All known factors still indicate that we should reach 3.2 percent for the year.

An increase in magnitude from 3.2-percent increase in 1 year to 4.9 percent the next year is not unusual. In 1957, with the same type of economic upsurge we are now anticipating, the volume went up 4.7 percent over 1956, which had an increase of only 2.2 percent over 1955.

The gap between revenue and obligations for 1963 will approximate $886 million on the basis of existing legislation. To this must be added an expected pay raise. Assuming a January 1963 effective date, this proposal could add an estimated $60 million to our cost, increasing the total gap to $946 million. To offset this growing deficit, a bill to increase postage rates (H.R. 7927) is to be considered by the House. We estimate this proposal would provide $595 million in additional revenue next fiscal year if effective July 1, 1962. In addition to this increase, we expect to have a decision from the Interstate Commerce Commission concerning parcel post rate increases. If our recommendations are accepted and made effective July 1 of this year, this should increase net revenue by approximately $85 million. This net increase will result from additional revenue from parcel post of $140 million, offset by an increase in cost of $55 million for handling a larger number of parcels. These two sources of additional income will reduce the postal fund deficit to $266 million in 1963 before applying the allowance of $248 million for public services.

Headquarters operations

Headquarters has been reoganized during the past year and a plan for the reorganization of the regions is now being put into effect.

The Office of the Deputy Postmaster General has been given a key role in the operation of the Department. Regional directors now report directly to the Office of the Deputy and so have direct access to top Department policy. A unit in the Deputy's Office has been created to give policy direction to the evaluation, procurement, and application of automatic data processing equipment. This unit is a part of the Office of Management Services which has overall responsibilities for organization, directives, and reports in the Department.

The Bureaus of Operations, Transportation, Facilities, and Finance have been reshaped for two main purposes. One, to provide central direction to activities previously handled in a number of different units. Two, to establish and expand the planning and control function in each Bureau.

The Bureau of Personnel has been given broader and more basic responsibilities. Today the Bureau of Personnel is a professional group involved in developing basic personnel policies, managing relationships with employee associations, recruiting and training personnel, advancing safety in postal operations, as well as in the usual activities dealing with classification, compensation, and employee actions.

Office of Research and Engineering

The Office of Research and Engineering under its new leadership is increasing both the breadth and depth of its work.

On the research and development side of its activity it is introducing a systems concept in its approach to problems. This involves the development and application of operations research techniques to the problem of finding optimum solutions to complex situations involving many changing factors. As a result of studies of this type, we can determine whether or not it is desirable to undertake the work of creating and developing a given piece of machinery or a proposed system. Projects or systems that are found to have real value can be ranked in approximate order of their importance and so be pursued in an orderly fashion.

Successful development and application of equipment is basic to the long-term improvement of productivity and control of costs. Because of the importance of this fact, a separate statement on the program of the Office of Research and Engineering will be submitted for the record at an appropriate time.

Inspection Service

The Inspection Service has long been a basic part of the postal system. The mission of the Inspection Service has been clarified and any possible overlap of functions with other parts of the Department has been eliminated.

The Inspection Service is now concentrating on the essential functions that it can best undertake— primarily crime, fraud, and mail depredations. The result is that the security of the mail continues at an alltime high. The programs to

control pornography and mail fraud have more real muscle than ever before. Arrests and convictions for depredations are running at rates above previous years.

The problems that confront the Inspection Service continue to increase and become more complex with the increase in delinquency and crime rates in the major cities where a major part of our activity lies. In spite of the increased threat to the mail service the Inspection Service has continued to maintain the excellent reputation of the Department and to hold public confidence.

Because the Inspection Service operates quietly, the general public knows little about its varied activities. A separate statement will be submitted for the record at an appropriate time in order more fully to cover the activities of this very important part of the Department.

Bureau of Operations

The program of the Bureau of Operations for 1963 is centered directly on the handling of the expected mail volume that will exceed 70 billion pieces.

No new major programs are being requested. The only new item is the proposal to create a new position of city delivery carrier technician at PFS–5. The creation of this position will provide for greater career opportunities for city carriers and will provide for effective and efficient city delivery service.

At present the utility carrier who takes the route of each of five other carriers is usually the most junior carrier in the group. Thus the least experienced carrier is confronted with the most difficult task—that of knowing five routes instead of one.

Instead of using the junior man in this role we propose using a senior man and to give a higher grade for the more difficult job. A senior man can cover the routes and make fewer errors than the junior. He also can contribute to management's understanding of the routes and so guide adjustments in the length or layout of the route as necessary. He can participate in the training and development of the skills of the five carriers whose routes he covers.

The carrier technician position is presently under test in Cincinnati and, if this test is successful as we expect it will be, we propose to apply this approach throughout the system.

Bureau of Transportation

No major changes are proposed in the 1963 program for this Bureau. Our request is based on the anticipated volume of mail that must be transported.

The Bureau of Transportation continues to be confronted with unpredictable problems caused by shifting patterns of transportation. The discontinuance of mail carrying trains continues to be a serious complication. As such trains are discontinued, substitute means of transportation must be evaluated, decisions made as to the best alternative and specific contracts entered into.

Further, the shift of mail from one mode of transportation to another causes other service changes. When mail is carried by train, railroad personnel provide certain terminal mail handling work. When the mail must be removed from trains and transferred to other means of transportation, such work previously done by railroad personnel is generally performed by postal employees. Reductions in the "Transportation" appropriation are partly offset by increases in the "Operations" appropriation.

Bureau of Facilities

The 1963 program for the Bureau of Facilities involves two main activities of basic importance to the Department's drive to improve its future performance: buildings and major mechanization.

For several years the Department has provided a substantial number of new buildings. With very few exceptions these are small post office buildings in small or middle-sized communities.

The physical plant of the post office in major cities is obsolete. Most of our mail volume is handled in major cities. The need for modern plant and the opportunity for resulting operational savings are greatest in these larger metropolitan areas.

Therefore for 1963 we have revised our modernization program to meet our highest priorities by shifting emphasis from building a large number of small offices to building a relatively small number of major offices. Our 1963 program is based on this change of direction.

When there is a need for improved space in smaller communities, our policy is first to consider improving the existing building that we need now occupy. If this examination does not indicate that there is an economical solution, we next consider the alternative of moving the post office to some other existing building in the community. Only when these two possibilities have been explored and found unsatisfactory do we consider the construction of a new post office building. Actual construction is not authorized unless it is economically justified.

We expect to begin procurement of major equipment, accelerating toward the end of fiscal year 1963 and continuing throughout 1964. The selection and proving of needed equipment will by then be nearer completion. The specific nature of this equipment is indicated in the statement submitted by the Office of Research and Engineering.

SUMMARY

As I said at the outset, our central concern is with the service and financial soundness of the Post Office Department.

Our program for 1963 is developed primarily to provide the service for which we exist.

We view this service as depending on the capability and willingness of a dedicated group of 580,000 postal employees. Without the performance of these people we could not possibly provide service. Thus our first concern is with these people.

In order for the postal workers to perform their tasks they must have proper facilities and equipment.

In order for them to perform their tasks with dignity and with the respect they deserve, the Department itself must operate with a sound financial condition. So long as the Department can be charged with being a red ink operation, the postal worker and the Department will be charged, quite unfairly, with inefficiency, ineptness, and lassitude.

This is a compelling reason for striving to put the postal operation on a self-sustaining basis. Of course there is the even more compelling reason for doing so in order fairly to charge the user of the mails with the tangible service he receives. By doing that we relieve the general taxpayer of an unfair burden of taxes he otherwise must pay to finance the postal service.

Our program for 1963 is designed to move us toward these desirable goals.

Mr. DAY. Now, turning to our appropriation request, Mr. Chairman, we feel this is a tight budget. It does not contemplate any new programs, with one minor exception: There is about $1,400,000, net, that is accounted for by a program we call the level five carrier program, which Mr. Belen will describe in detail.

CARRIER TECHNICIANS

This involves use of a carrier at the next higher level as the swing man on the route, instead of having an inexperienced substitute act in that position. It gives us the benefit of an experienced man who can do some supervision and some analysis of the route, in addition to being able to observe special problems that may arise on a city carrier route.

Aside from that, there is no new major program contemplated.

Mr. GARY. That relates entirely to urban deliveries?

Mr. DAY. Yes, sir.

Mr. GARY. Will they do substantially the same thing which your field agents are doing for the other deliveries?

Mr. DAY. No, sir.

The present plan, as you know, Mr. Chairman, is that the regular city carrier handles the route 5 days a week, and the low man on the seniority totem pole fills in for the sixth day. Rather than having this inexperienced man handling five different routes every week, this proposal that we are experimenting with on a pilot basis in Cincinnati

contemplates that the level five man will handle the route during the day the regular carrier is off and, in addition to delivering the mail, he will be able to observe problems on the route and give information to the post office as to changes that may be needed and suggestions for additional supervision and training of the regular carrier.

The net amount involved is relatively small; but I mention that because that is the only exception to not having new programs.

SUFFICIENCY OF 1962 FUNDS

Now, we do not contemplate that it is going to be necessary for us to ask for a supplemental appropriation for 1962. We have a very substantial productivity increase assumption in our figures which we are submitting for 1963. We are taking on a big challenge in the effort to achieve productivity increases, particularly in our clerk hours. We come out, of course, with a substantial gap between our income and outgo in the Department.

INCREASE IN VARIOUS CHARGES

As you know, we have been taking a number of steps to cut down on expense, and also to increase those charges which are within the jurisdiction of the Department. We have increased charges for special services, such as c.o.d. and special delivery, and we have increased our international rates substantially. We have increased the charges for return of undeliverable second-, third-, and fourth-class mail, and we have submitted to the Interstate Commerce Commission a recommendation for a substantial increase in parcel post rates and a change in the size and weight limits.

So that with the bill that is pending—will be pending next week—before the Congress for legislative increases in first-, second-, and third-class rates, we will have a balanced budget.

INCREASE IN PAYMENT FOR PUBLIC SERVICE

That contemplates a larger public service allowance than has been used in the past. The bill, that will be the administration bill, and which we expect to be called up next week on postal rate increases, provides an amendment in the Postal Policy Act to clarify certain provisions that have been the subject of differences of opinion and it results in a larger public service allowance.

That is the general background of our situation. We have a number of things that we feel have been major accomplishments during this past year.

MAJOR ACCOMPLISHMENTS IN PAST YEAR

One thing particularly, we feel that we have had a marked improvement in our employee relations in the Department. We feel that we have strengthened our work measurement program, and that our main hope for cutting down our expense and achieving greater savings for the Department is through productivity increases; because, after all, the biggest part of our budget is for personnel, and while we certainly intend to stay away from any improper pressure tactics, we are work-

ing all the way through to try and make better use of our people and to get better figures on just what our productivity is.

Our building program continues to be a matter of top concern to the Department. We have shifted our emphasis from the construction of a large number of small buildings to trying to concentrate on larger facilities in the major communities where we can make a greater impact on better mail service by having better buildings and better equipment. We are moving ahead with the program we outlined a year ago of cautious but determined increase in mechanization.

We have now in operation the new Detroit facility which is our largest highly mechanized facility. The results there during the Christmas rush were very gratifying, with the large use of Burroughs letter sorters.

We intend to install letter sorters and other proven types of mechanical equipment in new major facilities as they come along. That includes the mail flow equipment, the parcel post sorting equipment, and the electronic facer-canceller equipment.

We are pursuing our research project, which a number of you gentlemen observed out in San Jose at the Food Machinery & Chemical Corporation plant. We continue to be very optimistic about the potential of that development project as providing us with a major breakthrough on improved mechanical handling of mail.

We are, of course, not abandoning the construction of smaller post offices, but our major effort there is to stay with existing buildings or buildings which we are already occupying, if we can do so. We do not want to have new buildings built in small communities if it only creates another vacancy in the business district of those towns.

Our facilities program is moving along quite successfully, we feel, with a number of new buildings under construction and some of them going to be available for occupancy this year.

I think that touches on some of the main points, Mr. Chairman.

ANALYSIS OF 1963 INCREASES

Mr. GARY. Will you give us a breakdown of this $185,194,000 increase over 1962?

Mr. DAY. Yes, Mr. Chairman.

That principally relates to a projected increase in mail volume. We expect the increase in mail volume this coming year to be quite high in relation to what it has been the last 2 or 3 years. That is because of estimates, which have previously proven quite reliable, from economic sources, and from Bureau of the Budget, as to effect on our mail volume of increases of population and increases in personal income.

And most of our increase comes about through the predicted increase in mail volume. That affects our personnel total, our clerk account, and, of course, it affects our transportation appropriation.

MAIL VOLUME

Mr. GARY. How is your mail volume running this year?

Mr. DAY. This year the mail volume has been running below our predictions. We think that there will be some upturn in the total as a result of the Christmas rush, although we do not have all of our

fully refined figures as to the Christmas total as yet; but it is running about 2.1 percent increase over the previous fiscal year so far.

Mr. PILLION. Is that annual, General Day?

Mr. DAY. Yes, sir.

We contemplate that it is going to pick up, because the mail volume is closely related to business conditions and average personal income, and there has been a definite snapping back of the economy, particularly in the last half of calendar year 1961, and we feel that that trend is going to continue. And it is our feeling that the mail volume for the total fiscal year 1962 will be quite close in its percent of increase to what is projected in our budget.

Mr. GARY. I assume that Mr. Belen will give us the exact figures on those when he testifies on operations; is that correct?

Mr. DAY. Yes; he will.

I can comment on that in a preliminary way, Mr. Chairman.

In the last 11 years, the predicted increase of mail volume as reflected in appropriations has been only seven-tenths of 1 percent off from actual. And in 6 of those 11 past years, the prediction was, in fact, below the actual.

Mr. NICHOLSON. May I move that decimal one point over? It is seven one-hundredths of 1 percent.

Mr. DAY. Seven one-hundredths. Well, that is a good move of that decimal point.

Mr. GARY. We would want some actual figures, but I take it Mr. Belen will give us those when he testifies.

CHRISTMAS MAIL

Now, General, you have mentioned Christmas mail. I notice in the newspapers that they made quite a record in Richmond in handling Christmas mail this year. They handled more mail at less cost. Has that been fairly general throughout the United States?

Mr. DAY. Yes; it has been quite general. A rough estimate is there was about $5 million saved during the Christmas period because of the way that we handled the mail this year.

There had previously been an experiment with having city letter carriers make only one delivery a day during the Christmas rush, rather than having the regular carrier and a number of Christmas temporaries making many trips to a given home. We adopted that as a national plan this year, and it worked almost without any complaints at all; it was a very successful system. It resulted in hiring 60,000 fewer Christmas temporaries. It was based upon having the regular carriers come in early in the morning, so that they had a larger amount of overtime. But that went to the regular people, and there was much more orderly and efficient handling of the city delivery because of that program.

We also had very close checks on the hiring of temporaries for clerical purposes, and followed up day by day to be sure that the Christmas temporaries were released at the earliest time possible so that we were not carrying them on any longer than we needed to.

We were very concerned at first about the fact that in this Christmas season, 2 days—the day before Christmas was a holiday, and of course Christmas was a holiday, and we did not plan to make deliveries except of parcels and special deliveries on those two holidays.

Because of the success of the public's response to our urging that they mail early, the Christmas rush was actually past its peak several days before Christmas arrived, and everything was cleaned up and out of the way before those holidays came. So it was a very fortunate season for us.

Some offices such as Richmond, I think, had more outstanding results than others; but generally across the country, it was a very successful program.

POSTAL RATE INCREASE BILLS PROPOSED

Mr. GARY. Will you outline for the committee now the administration's recommendations for the postal rate increases as compared with the Murray bill which will be considered on the floor of the House next Tuesday?

Mr. DAY. Do you want me to analyze or outline that bill, the Murray bill, which will be the administration's bill?

Mr. GARY. No, I wanted you to tell us what you originally recommended, your original recommendation, and now what is being—

Mr. DAY. From a year ago?

Mr. GARY. Yes; and now what is being reported out; I mean as contrasted with the Murray bill.

Mr. DAY. There are three bills that are principally involved. The budget submitted by the previous administration before the change of administration, recommended an increase in postage rates for first, second, and third class of $741 million. That, of course, involved a 1-cent increase for first class and for air mail, and it involved a 79 percent increase in one step for second class. It involved very substantial increases for third class. It involved increases for free-in-county newspapers, for not-for-profit corporations, and that bill was put in following the President's statement that, as near as possible in his first session, he would try to stay within the framework of the budget which had been submitted by the previous administration.

There were extensive hearings held on that bill over a period of many weeks before the House Post Office and Civil Service Committee, and that bill was tabled by the committee.

On a motion to reconsider, a second bill, which was then called the Henderson bill, and which will be the Murray bill as of next Tuesday, was proposed by the administration. That bill would provide for total increases of $621 million based on 1963 mail volume. It is the same on first class and air mail, but the impact on second class is a 55 percent increase on regular-rate publications in total, in two steps. And there is an increase of 20 percent in the minimum bulk rate in third class in one step.

When that bill was considered by the committee, after lengthy discussion they amended it downward into the form that is at present out on the House floor. The bill that is now on the House floor, in the opinion of the administration and the Department, is too light in its impact on second and third class. Based on 1963 mail volume it would provide about $550 million of new revenue, $450 million of which would come from a 1-cent increase in first class and air mail. The additional amount coming from second class would have a heavy impact on lightweight publications, because the bill provides for an increase in the minimum-per-copy rate from one-half cent to 1 cent.

Our proposal which we are advocating has a per-piece increase, which we think spreads the increase on second class more equitably.

On third class, the bill that is out on the floor would principally affect individual and small users of third class, such as your Christmas card mailings, and would have a very minor impact on the large users of third class, which is bulk mail.

So that is the reason why we are advocating a higher amount of revenue from second and third class. We feel that it is a fairer bill and that it spreads the impact of the increase much more fairly.

Mr. GARY. But it still is not as high as was originally recommended on second and third class?

Mr. DAY. That is correct, Mr. Chairman.

On the bill that was proposed a year ago, the increases were so high, so far out of line with anything that had ever been adopted by Congress in the way of a one-step increase before, that I think that it was an unrealistic proposal as it turned out. It had lengthy hearings; but I believe that, in view of previous increases during the last 10 years in second and third class, that a 79 percent one-step increase, for example, for newspapers and magazines, was just too much to expect.

Mr. GARY. How much additional revenue do you estimate the proposed increases in the Murray bill will bring in?

Mr. DAY. It will be $621 million after the second step of the second-class increase.

Mr. GARY. When does that become effective?

Mr. DAY. That becomes effective July 1, 1963, the second step. The new revenue effective July 1, 1962, would be about $600 million.

PAYMENT FOR PUBLIC SERVICES

Mr. GARY. And you propose to make up the rest of the deficit with a charge-off for public service mail. Is that correct?

Mr. DAY. Yes.

Mr. GARY. Now, that would mean——

Mr. DAY. About $248 million is the public service allowance. Then we also expect to get $85 million from our parcel post increases. But the $248 million is the public service figure, and that results principally from the bill, the Murray bill, specifically calling for a total loss approach to pricing the public service allowance on not-for-profit and similar types of publications.

Mr. GARY. As contrasted with the net-loss approach?

Mr. DAY. The revenue-foregone approach, yes, sir.

Mr. GARY. In other words, assuming that the blind send mail, which is free, the public service charge contained in the Murray bill proposes that, if it costs the post office 10 cents to deliver that mail, the entire 10 cents shall be charged off, even though if it were not being sent free and was mailed by a regular patron, he would pay only 5 cents in postage. Is that correct?

Mr. DAY. That is correct.

Mr. GARY. Instead of charging off the 5 cents, you charge off the full 10 cents?

Mr. DAY. Yes, sir.

Mr. GARY. Well, I am sorry; that is a thing that I have fought, and I must say that I will continue to fight it next Tuesday. I cannot do otherwise and retain my conscience.

Mr. PASSMAN. Mr. Chairman, are you charging off a greater amount than the actual cost?

Mr. GARY. No; you are charging off the actual cost, but the other users of the mail don't pay the actual cost.

Now, I say that the only public service feature in the transaction is what you are giving them. That is the difference between what you charge the preferred user for the service and what you charge the regular, nonpreferred user.

Mr. PILLION. Mr. Chairman?

Mr. GARY. Yes, sir.

Mr. PILLION. We might expand this just a bit to determine the Post Office Department's position relative to this public service. Are these their figures? As I remember, we allowed $49 million a couple of years ago, and then last year something like $60 million. Now we jump up so that, whatever deficit there is, we just call it public service.

Mr. GARY. That is right.

Mr. PILLION. I wonder what the Post Office Department's actual figures might be relative to this situation. I wonder if the chairman might pursue that.

Mr. DAY. Well, if we used the same basis that the committee has previously used, it would be $74 million this year.

Mr. GARY. For the next fiscal year?

Mr. DAY. If we used the revenue foregone approach, yes, sir, the 1963 fiscal year.

Mr. CONTE. That is the next fiscal year?

Mr. DAY. Yes, sir.

Mr. PILLION. Is that the revenue-foregone mail? Is that the term you used?

Mr. DAY. The revenue-foregone mail; yes.

POSTAL PAY INCREASE

Mr. PASSMAN. In this type of budget, are you taking into account the proposed salary increases for postal employees?

Mr. DAY. Yes; we have an allowance in our budget, Mr. Passman, for the proposal which has been put forward by the administration and will be announced in the President's budget for a three-step increase over a period of 3 years in salaries for postal workers and other Government workers.

We are putting in there the figure that reflects the administration budget position on it. It contemplates an effective date for the first step of January 1, 1963, so that we would only have 6 months' impact of that increase in this coming fiscal year's budget.

We have put in our budget $60 million to take care of what the impact would be if the administration's proposed pay program should be adopted.

Mr. PASSMAN. If history repeats itself, you could very easily be upset there, though. I read in the press only a few days ago that the ranking member of the Post Office and Civil Service Committee had introduced a bill calling for a 14-percent increase in postal employees' pay.

Now, if that bill should be adopted, would such a raise not substantially increase the deficit over the amount you personally foresee?

Mr. DAY. Very substantially.

Mr. PASSMAN. Thank you.

Mr. DAY. The difference, we hope, at this time, in contrast to these many previous years that you refer to, is that the administration is coming out with a positive proposal, and it is a step proposal to attempt to take care of a program for 3 years.

Mr. GARY. Beginning January 1, 1963?

Mr. DAY. Yes, sir.

Mr. GARY. There will be no increase for this current fiscal year?

Mr. DAY. Well, that would be half of the next fiscal year; nothing for this current fiscal year under the proposed——

Mr. GARY. There would be no increase during this current calendar year.

Mr. DAY. That is correct.

Mr. GARY. It would begin January 1, 1963.

Mr. PILLION. Would the gentleman yield?

Mr. GARY. Yes.

Mr. PILLION. On the question, General, of the amount of the proposed administration pay increase, if the $60 million for the half year—I assume it will be $120 million for a full year?

Mr. DAY. For the first year; it is not the same each 1 of the 3 years.

Mr. PILLION. I was wondering whether they are the same.

Mr. DAY. No, sir.

Mr. PILLION. Percentagewise, how would that——

Mr. DAY. It is about 7.5 percent in total for the 3 years.

Mr. PILLION. In other words, a total of 7.5-percent average, or 2.5-percent average, for each of the 3 years?

Mr. DAY. Yes.

Mr. PASSMAN. There is a lot of difference between that amount, or those amounts, collectively, and 14 percent.

Mr. DAY. Yes, sir.

Mr. GARY. Now, does the $248 million public service concept take into consideration the salary increases?

Mr. DAY. Well, the salary increases are in our budget in connection with figuring out our losses. So to the extent that the 6 months' pay increase is provided for, it is reflected, isn't it, Mr. Nicholson?

Mr. NICHOLSON. May I amplify that just a little. The cost of the proposed pay increase is not in our basic budget. We have calculated the dollar impact, however, in determining the gap between the total revenues and total costs.

The combination of the new public service base plus the proposed rate increases liquidates the gap at the present level of operation and has a reserve in it to cover the first-year costs of the pay increase.

DETERMINATION OF PAYMENT FOR PUBLIC SERVICES

Mr. GARY. As I understand it, under the present law the Appropriations Committee is given the authority to determine the public service item. Under the proposed Murray bill the Appropriations Committee would have no part in it, but it is automatic. Is that correct?

Mr. DAY. Well, it is derived by the Department as part of its cost ascertainment work. But it is correct that under the Murray bill the Appropriations Committee would not set the public service figure.

It would be set by the Department as part of its cost ascertainment work.

Mr. GARY. When did you say this proposed salary increase will be announced?

Mr. DAY. In the President's budget. It will be—when is it? Next Thursday.

Mr. NICHOLSON. The 18th.

Mr. DAY. The 18th; January 18.

Mr. PASSMAN. Prior to the time that the postal rate increase proposal will be considered?

Mr. DAY. Yes, sir, it will be in the President's budget on the 18th; and the rate bill is on the 23d.

Mr. PILLION. Mr. Chairman?

Mr. GARY. Yes, sir.

Mr. PILLION. Does the Murray bill set up a formula by which the Post Office Department would necessarily arrive at a figure of about the $248 million that is contemplated for the public service feature?

Mr. DAY. Well, it does to this extent, Mr. Pillion. It would remove from the Postal Policy Act two of the principal areas of uncertainty as to how you determine the public service figure.

Mr. PILLION. I see.

Mr. DAY. First, it would make it crystal clear that you use the total loss basis rather than the revenue foregone basis which the Chairman was describing.

Secondly, it would eliminate as a type of public service allowance any loss on star rural routes and on third- and fourth-class post offices.

The Department's position on that last item is that it is not possible or desirable to come up with an accurate figure as to what the Department's loss is in operating rural routes and small post offices, because we feel that it is and should be our responsibility to operate a nationwide system to serve people in all locations, and that we should not charge to public service any loss for small post offices and the star rural routes.

VALUATION OF ASSETS

Mr. PILLION. May I ask this question: What would you estimate your post office building downtown is worth today?

Mr. DAY. The city post office?

Mr. PILLION. No, your big headquarters, your office—the whole building there.

Mr. GARY. The Department offices.

Mr. PILLION. That is right.

Mr. DAY. Well, the part that we——

Mr. PILLION. About $40 million or $50 million, did you say, sir?

Mr. DAY. Well, that is part of the complex of buildings, the part that we occupy. I imagine it would be around $15 million.

Mr. BRAWLEY. I understand that it cost $25 million to build in 1930 and 1931, just our part.

Mr. DAY. Just our part?

Mr. BRAWLEY. Yes.

Mr. PILLION. I don't think you could build it today for $40 or $50 million if you had to build it today.

Mr. DAY. That includes the ICC and the FCC.

Mr. PILLION. Now, the rental would be, say $5 million a year, taking ordinary commercial rent. That is not charged into the cost of operations of the post office. What I am trying to say is that you have public service items that you are not charging to costs. There is an awful lot of investment that has been paid for by taxpayers or postal users in the past that is going into the operation without being charged to the post office users today, and that is not used to offset the public service thing—I see this gentleman nodding here—is not used to offset this public service item.

Do you follow what I am trying to drive at, Mr. Chairman?

Mr. BRAWLEY. I say that it would be if we replaced it. If we replaced it, it would be charged off.

Mr. PILLION. Yes; but you have it. It is an asset that you are using, and we are not charging it to the post office users as of today. I am now thinking of offsetting. And you have perhaps hundreds of similar operations.

So if you added all those up, your investment that you now have that the users are not paying for, it is not added into your cost of operations.

Mr. DAY. Well, the public service aspect of our budget is, of course, that portion of our budget in which we are like the other departments which do not have their own major sources of revenue. It is the portion of the budget that should be paid for by the general taxpayers rather than by the users of the mail directly.

I think in the example that you state we are no different than other Federal departments. They are having the benefit of equipment and space that has already been paid for in earlier years, and we have some of that same benefit.

Mr. PILLION. That is true, except in other departments you have no measurements, you have no gage, by which to measure the service that the Agriculture Department performs, or the Chamber of Commerce. The reason that you have as good and as fine a Department as you have—and in the last year I think you have done a very fine job especially, Mr. Postmaster General—but the difference is that you do have a cost accounting system here in which you attempt to balance production against income, and you have a means of doing it.

You have no measurement, businesswise or similar to a business accounting system in any of the other departments. So when you help a businessman with a small loan or you help someone with a school lunch, there is no way of measuring that. But there is a way of measuring the Post Office Department. I think you do perform a fine service because we do have that gage or measuring stick.

It is like any other business, and we are trying to keep it that way and not permit it to go into the blue sky on sociological and other theories, but keep it a businesslike operation.

Mr. PASSMAN. If I follow the gentleman, you are saying that the facilities may be worth, say, $100 million; that if you were renting these facilities out in a commercial market it might possibly bring the Government some $25 million in annual rentals?

Mr. PILLION. Say $10 million.

Mr. PASSMAN. $10 million, which is presently accruing to the Post Office Department.

Mr. PILLION. That is right.

Mr. PASSMAN. This is another cost hidden in the operation.

Mr. PILLION. That is right.

Mr. STEED. Will the gentleman yield?

Mr. PILLION. Yes.

Mr. STEED. The House Committee on Government Operations has just completed a study listing the assets of the Government. They carry all the Government assets at the acquisition costs rather than at their probable value today. I remember seeing an item in the newspaper referring to the White House grounds as being worth only $1,000, because that's what they paid for it in the beginning.

They total about $80-odd billion worth of Government real estate and buildings and facilities that were listed in this inventory of sorts that the committee only recently finished.

Mr. ALEXANDER. Will the gentleman yield?

ITEMS INCLUDED IN FIGURING PAYMENT FOR PUBLIC SERVICES

Mr. ALEXANDER. Is there any formula under your public service procedure that you are advocating that would be similar and that we could use year after year? Or would it be just the difference in your income and the amount that you spend in determining what your public service would run?

Mr. DAY. Well, under the Murray bill and the amendments contained therein to the Postal Policy Act, it will be quite a simple and clear determination and should not get into any major differences of opinion.

The major differences of opinion between certain groups in Congress and within and outside the Department have been over the question of whether we use total loss or revenue foregone on this situation that the chairman described; and also on this matter of small post offices and star routes.

Because of the wide area of disagreement, there have been proposals, as you know, that the public service allowance ought to be $400 or $500 million, because when you begin trying to assign something to the so-called loss on small post offices and rural routes, you can get into high figures.

That is one reason why we would like to have that taken out entirely, because that is always an argument as to why we don't have something in on that figure and what the figure would be if it should be included.

Mr. GARY. Well, does this figure of $248 million include anything for loss on the small post offices?

Mr. DAY. No, sir.

Mr. GARY. And rural routes?

Mr. DAY. No, sir, it does not. The $248 million is derived as though the Murray bill were on the books, and the Murray bill would specifically eliminate any consideration on loss on small post offices and star routes as a loss item in determining public service—take it out entirely.

Mr. PILLION. Will the gentleman yield?

Mr. GARY. Yes.

Mr. PILLION. Then the $248 million comes primarily from the total loss versus the revenue foregone proposition?

Mr. DAY. That is the principal source of the public service figure, Mr. Pillion. There is also a certain amount that derives from the fact that the Department, even after our increases in rates for special services—c.o.d. and special delivery, and so on—is still not completely in the black on those, so that our losses on special services are included.

INTERAGENCY COSTS

Mr. GARY. In that connection, General, on page 1.2 of the justifications you say:

> Further, the adoption of accrual accounting by the Department for its operating statements necessitates a revised interpretation of the section on public services dealing with losses on nonpostal services to other Government agencies. When this item was first submitted to the Congress for inclusion in the public service appropriation it was rejected on the grounds that it was more than offset by similar costs performed for the postal service by other agencies without reimbursement. These costs, which for 1963 are estimated at $25.7 million, are now included in the accrued costs of the postal service to be recovered in rates. The Department must now, therefore, obtain reimbursement through the public services appropriation for its unrecovered services to other agencies, since otherwise there is no longer an offset and costs in effect would be duplicated.

Mr. DAY. Yes, sir. The loss I was describing in not being in the black on c.o.d. and special delivery and so on is the loss on special services. On the nonpostal services, those are the functions which we perform for some 10 other Government agencies under various provisions of the law, such as handling the registration of aliens, selling migratory bird stamps, issuing forms for the Census Bureau, providing office space, and so on.

Mr. GARY. Now, what were the services that other agencies perform for you?

Mr. DAY. They give us the occupancy of Federal buildings. We are in Federal buildings which are multiple-use buildings for which we do not pay any rent. They also, in a number of those buildings, take care of the maintenance for us.

Mr. GARY. Will one offset the other?

Mr. DAY. The past practice has been to consider that we probably got more in benefit than it cost us for this loss on nonpostal services. But in making the adjustment you refer to, we come up with a $20 million figure for the estimated loss on nonpostal services.

Mr. GARY. Net, after including the services that you get from other departments?

Mr. DAY. No, it isn't a net figure; it is a gross figure. Correct?

ACCRUED COST ACCOUNTING

Mr. NICHOLSON. I think it might be helpful, Mr. Chairman, if I called your attention to pages S–11 and S–12 of the justifications which have already been submitted for the record. Beginning on page S–11 we have a statement referring to obligations and accrued costs.

Under Public Law 863 of the 84th Congress, that law included a statement to the effect that, as soon as practicable after the date of the enactment of that law, we should begin using an accrued cost basis in our accounting work.

Now, of course, the budget brought to you for 1963 is on an obligation basis. However, in 1960 we began to make sufficient progress in our accrued cost accounting work to begin to see the time when we should comply with the public law.

Consequently, we received concurrence by the General Accounting Office, the Comptroller General, for using accrued costs as the cost base for ratemaking purposes in the parcel post case now pending before the ICC.

Similarly, it is our approach for 1963 that accrued costs are a more accurate, more equitable way to determine costs for ratemaking purposes. Consequently, in the discussion so far, and in the figures the Postmaster General has used, he has been referring to certain costs on the accrued-cost basis. Once we have switched to the accrued-cost basis, the services supplied to us by others are part of our costs.

Specifically, the depreciation on Government-owned buildings that we occupy. Previously the cost of that did not appear in any of our cost statements, and this refers to your point, Mr. Pillion. The depreciation on those buildings—which in 1963 is included in the estimated total depreciation of $51.7 million—is in our cost basis.

Similarly, other services furnished to us by other agencies, which in 1963 is estimated at $25.7 million, are included in our cost base. So there is $77.4 million in our cost base on an accrued basis that does not appear on an obligation basis.

It is true that we do furnish services to others for which we are not reimbursed.

However, since we on our accrued-cost basis are being charged for services furnished to us, in order to maintain the offset that previously pertained, we must now charge them off through the medium of the public service allowance.

The public service allowance claimed under that category is a total of——

Mr. DAY. $20 million.

Mr. NICHOLSON. It is $20,208,000.

Mr. GARY. You say on page 1.2 of the justifications, "These costs, which for 1963 are estimated at $25.7 million * * *."

Mr. NICHOLSON. That is the cost of other agencies who furnish services for us. The cost of that service furnished to us is $25.7 million; that is correct. That is one of the two figures I just read to you. The two figures are $51.7 million for depreciation, plus $25.7 million for other services by other agencies furnished to us, without any use of our obligating authority.

Mr. GARY. And what is the estimated cost of the service that you perform for others?

Mr. DAY. $20,208,000.

Mr. PILLION. Will the chairman yield?

Mr. GARY. Yes.

Mr. PILLION. Do I understand that the $51 million figure and the $25 million figure on the acrued cost basis are new? This is the first time you are putting them in?

Mr. NICHOLSON. This will be the first year when that type of figure has been taken into our costs for ratemaking purposes.

Mr. PILLION. Then you subtract from that the $20 million?

Mr. NICHOLSON. No, sir, we don't subtract it.

Mr. PILLION. That you perform for others, don't you? Then the net of about $50 million is included in the $248 million public service?

Mr. NICHOLSON. No, sir.

Mr. PILLION. Isn't that the way it works?

Mr. NICHOLSON. The two items you just referred to, totaling $77.4 million, are already in our cost base. Thus, in order to get any offset we must claim the total value of services we supply to others as public service costs.

Mr. PILLION. I am afraid you have lost me, but go ahead. I will have to pick it up somewhere along the route.

Mr. DAY. You understand we are using the accrued basis only for rate-adjusting purposes both on parcel post and for proposed statutory rate increases.

Mr. PILLION. Yes.

Mr. DAY. And that we continue on the obligation basis for the purposes of our appropriation and the activities of this committee.

Mr. PILLION. I see.

Mr. PASSMAN. Will the gentleman yield?

Mr. GARY. Yes, sir; Mr. Passman.

Mr. PASSMAN. Off the record.

(Discussion off the record.)

LATITUDE IN FIGURING AMOUNT OF PAYMENT FOR PUBLIC SERVICES

Mr. PASSMAN. Under this proposal, the $248 million that you include in the budget would, under the previous type of operations, be regarded as a deficit, would it not?

Mr. DAY. All but $74 million of it would.

Mr. PASSMAN. Which means then, in reality, that there is about $175 million which we have been carrying in the past as a postal deficit, which now will appear under some other category, so as to reduce the statement of the postal deficit?

Mr. DAY. Yes.

Mr. PASSMAN. Now, if this legislation should be adopted, do you foresee any danger that, in the future, other committees, or maybe other individuals, who have personal interests in certain types of mails may be inclined to throw larger parts over to such categories to determine whether they may try again to increase the public services feature, and that therefore, this phase could go up and up and up, and as a result of such mechanics there would be a system whereby you would always operate on a balanced budget?

I think that this feature of your proposal is dangerous. I want very much to support your postal rate bill, and speak for it on the floor. But you have some complications here that are causing me considerable concern.

I am familiar with the fact that a lot of very conscientious Members of Congress, for some reason or other, believe that special consideration should be given to certain classes of mail; and, that being true, it would be relatively simple to use this procedure as a gadget to hide a lot of other deficits that may conceivably build up in the future. And, what you are proposing is a departure from your previous system, and from your system of accounting.

Now, I would not make an accusation to such effect, but I wonder if somewhere along the line this plan may be designed to appease,

or satisfy, certain Members of Congress who have had different ideas about this than others.

Mr. PILLION. Will the gentleman yield?

Mr. PASSMAN. Wait; I want an answer to my question.

Mr. DAY. Yes.

Mr. PASSMAN. I hope that is a fair question.

Mr. DAY. Yes, sir, definitely.

Mr. PASSMAN. Because it was causing me some concern.

Mr. DAY. Well, going back to the earlier part of your question, Mr. Passman, the fact that there may be certain users of the mail and certain other groups that may want to expand the public service figure higher and higher, there is nothing new about that. But this approach of changing the Postal Policy Act and making the determination of that figure extremely clear and mathematically certain has the advantage that it could only be expanded in the future by specific legislative action.

As it is now, there is an enormous area just for interpretation of the law as it is on the books. So, by the process of interpretation, the public service allowance varies from some people saying $74 million, up to others saying $500 million.

We would have the advantage of tying it down in the law. I don't doubt a bit but what there would be some who would like to have the law changed again in the future to raise it up still higher. But that is not the purpose of the change from the Department's point of view. We have not arrived at this figure for the purpose of wanting to come out with a balanced budget with a smaller rate increase.

We feel—and I say this with due deference, because I know that it has not been the view of this committee—but we feel that a proper interpretation of the law as now on the books would call for a public service figure of this amount.

Mr. PASSMAN. How accurate are those figures, Mr. Postmaster General? For those of us who may differ with the figures, or have done so in the past, how are we going to be able to establish the accuracy of this figure, $248 million, as actually being the cost of the public service performed? Is there any breakdown on it anywhere?

Mr. DAY. Yes, sir. The Department makes a very detailed, highly technical cost ascertainment study; and one of the figures that we derive from that cost ascertainment study is what it costs us to carry a piece of mail of a certain type.

We know, for example, for the next fiscal year that the amount that we are deriving from the postage on reduced rate newspapers and periodicals is $93 million less than what it costs us to carry that type of second-class mail.

Mr. PASSMAN. Thank you, Mr. Chairman.

EFFECT OF PUBLIC SERVICE ITEM ON OVERALL BUDGET

Mr. GARY. Well, General—charging this off for public service would not affect the general budget; would it?

Mr. DAY. No, sir.

Mr. GARY. It only affects the postal deficit, because the $247 million would have to go into the general budget as an appropriation. Is that correct?

Mr. DAY. That is correct.

Mr. GARY. Therefore it would not affect the general budget at all, but it would only affect the postal deficit.

Mr. DAY. Yes, sir; and it affects our ability, and the ability of Congress, to comply with the Postal Policy Act, which does call for a break-even operation after allowance for public service as called for by the Postal Policy Act.

But it is correct that anything not produced by postal revenues has to be paid out of the Treasury; and with that in mind, one might almost say: "We are operating with an $850 million public service figure right now," because we are that far away from being a break-even operation.

Mr. PILLION. What it does, Mr. Chairman, essentially is that it takes away your base for asking for increased rates to the extent of $248 million.

Mr. GARY. Yes.

Mr. PASSMAN. It is a bookkeeping transaction. You are not actually reducing the deficit as it applies to the General Treasury statement.

What you are doing is actually saying: "This is going to be paid by the taxpayers at large, and we are not even going to attempt to cover it in mail rates."

Mr. GARY. Off the record.

(Discussion off the record.)

FIRST-CLASS MAIL RATES SUBSIDIZING OTHER CLASSES

Mr. DAY. Let me go back, and you may wish to add to this, Mr. Chairman.

The second-class mail, including magazines such as you speak of, have traditionally, for the whole history of the postal service, been carried at considerably less than what it cost the Department to carry them. And the historical way in which that is made up is through charging first-class more because of the fact that it gets priority handling, the advantages of secrecy, and the advantages of forwarding privileges. And that would be true under the rate proposal that is pending.

But, under the proposal that is pending, the cost coverage on second-class, which is now 21 percent, would go up to 40 percent on the basis of the total-loss approach to public service, and to 50 percent on the basis of the new rates that are called for in the Murray bill.

So I think that the amount by which other classes of mail make up the Department's loss on commercial publications comes from the first-class; and that is historical and traditional, not only in our postal system but in the postal system of all of the leading countries of the world.

Mr. CONTE. Mr. Chairman, may I ask a question?

Mr. GARY. Yes.

QUESTION OF WHAT IS PUBLIC SERVICE

Mr. CONTE. I can't understand one thing, Mr. Postmaster, and that is in regards to not charging rural mail and second- and third-class post offices under public service. You take a rural mail carrier who

has a large, wide area to deliver a few letters. He has to drive his car a considerable amount of miles from house to house, and we all know it costs 10 cents a mile to drive that vehicle, plus his pay; whereas the same postman in a city, that is New York City, delivers in one block as many letters as a rural mail carrier delivers in his whole route all week.

To my way of thinking this is a public service, and I don't see why you don't include it under that category.

Mr. GARY. It is all a public service.

Mr. CONTE. Yes, but this they are leaving out.

Mr. GARY. The whole postal operation is a public service. If it is not, the Government has no business in it. The Government has no business performing private services. The fact that the Government is performing the service makes the entire Post Office a public service.

Now, what you are trying to do here is to pick out certain phases and say, that's more public than others. Well, you can't do it, because those same rural delivery carriers are delivering books, magazines, and other commercial mail which this gimmick seeks to protect.

Mr. PILLION. That is true.

Mr. CONTE. I think if you are going to put any public services in the budget, you have to include all of them; and you should have a cost basis. The Post Office is no different from any other business. You should outline all of these public services. Somebody has to pick up that tab.

Mr. PILLION. If you take each item that is a loss, where you have got a losing proposition, and throw that into public service, there is no end to the ramifications of studies that you can make to make all of these public service losses.

SIXTH-DAY DELIVERY

Mr. CONTE. Well, I have no argument with the chairman's point of view of taking the net cost. But I think all of them should be in there. Let's take the 6-day delivery. Everyone is on a 5-day week now, and I feel that the sixth day is more or less of a public service.

If you were on a 5-day service, the Post Office could save over $100 million a year. So I feel that item should be included as a public service.

Mr. GARY. I will go beyond that. I would like to cut out the sixth day of service and save the taxpayers that $100 million.

Mr. CONTE. Well, you agree that the sixth day is a public service?

Mr. GARY. No, I don't agree either, any more than you call a drugstore and ask him to send a cigar over to your home and he does that as a courtesy. I don't think that is a public service. I think he is just building up goodwill in his service. He is rendering a very private service to you that he doesn't render to anybody else.

Mr. CONTE. He has to get that money from somewhere to pay the gasoline and the automobile expense to deliver that cigar.

Mr. PASSMAN. There is no limit to how far you could carry it, because, say, it costs 4 cents to send a letter down to Richmond. You can send it to Los Angeles for 4 cents. You can break it down and say it only costs 10 percent of what it costs to send a letter to Los Angeles to send it to Richmond. You never really know what office is losing money and what office is making money.

LOSS ON SMALL POST OFFICES

Mr. DAY. Right on that point, that highlights another difficulty with attempting to assign a figure for loss on small post offices and rural routes in that it is the availability of those outlets which adds a great deal of revenue to large city post offices, because much mail that is going in, and the revenue is being collected in good-sized post offices, is only received because the distribution system of all of the small post offices and the rural routes is available.

That is one of the reasons why it has never been possible to separate out the actual loss to the extent of saying that part of it isn't made up by additional revenues in a good-sized post office.

As pointed out, there are many areas of our operation which cost us money in the sense that, if we had a stripped-down, practically no service at all program, it would be cheaper.

City delivery is certainly an example. We are extending city delivery to new towns and to new areas right along as the population justifies it. If everybody had to come into the post office and get his mail, it would be cheaper; but I don't think that we would be justified in separating that amount off and saying that that is expense that should be paid for by the taxpayers as a whole: that that is a public service in the same sense that carrying charitable and religious publications and mailings at very low rates is a deliberate Government subsidy to that type of user.

ALLOCATION OF POSTAL LOSS

Mr. CONTE. You say the taxpayers shouldn't pay for that type of a public service, then who is going to pay for it? There is a loss there.

Mr. DAY. It is paid for by the users of the mail. That is how we think it should be. That is why we don't want to separate out the so-called loss on small post offices, because we think the users of the mail should pay for a fully developed, integrated operation which includes distribution to all locations, whether those locations are in highly concentrated city areas or whether they are in small towns or along rural routes.

We feel that the whole system is essential in order to have a successful post office operation, and that the users of the mail should pay for the whole system.

Mr. PILLION. Will the gentleman yield?

Mr. ALEXANDER. I understand the whole list here on the public service is a question of whether the users of the mail are going to pay the bill, or whether the taxpayers are going to pay it.

Mr. GARY. That is right.

Mr. BRAWLEY. Certain items.

Mr. DAY. May I speak off the record just a minute, please, Mr. Chairman?

Mr. GARY. Yes.

(Discussion off the record.)

SIXTH-DAY DELIVERY

Mr. GARY. May I correct one statement that I made on the record just a few moments ago. I said I was in favor of abolishing the sixth-day delivery. I did not mean by that that I am in favor of abolishing all delivery on the sixth day of the week, but I have suggested before that it offers a good study for possible sources of savings, because I do know that in most of the downtown sections in the large cities today, in the offices and in most industries, they close down on the sixth day.

I know that in certain offices the mail is delivered on Saturday and it is put through a slot and remains on the floor until Monday.

I think we could very well study that situation to see whether or not we couldn't reduce mail deliveries to some extent on Saturdays in those areas which are now closed down under our modern business operations, and save money.

Mr. DAY. Well, Mr. Chairman, we did conduct quite an extensive study on that very extensive subject last year, and it highlighted this very point of the fact that so many businesses are closed on Saturday.

But we found that, while large businesses are quite generally closed on Saturday, a great many small businesses are in operation on Saturday and want and expect to get their mail then.

We conducted a survey and were very much surprised at the very large percentage of business firms that did indicate that they counted on getting delivery on Saturday. Those figures can be given more specifically later on in the testimony if you care to have them.

(The following additional information was submitted for the record:)

ELIMINATING SATURDAY DELIVERY SERVICE

The problem of eliminating Saturday delivery service has been recently studied by the Post Office Department with the following results:

1. *Patrons affected*—There are now 3,903,125 business firms and 41,185,400 families who receive Saturday delivery service. Our studies showed—

(*a*) 23 percent of the mail was delivered to firms that were closed but desired Saturday delivery.

(*b*) 66 percent of the mail was delivered to patrons whose places of business were open and expected delivery on Saturday.

(*c*) Only 11 percent of the total mail was held until Monday at request of firms.

2. *Estimate of operating problems and public reaction.*—Delays in mail deliveries would be inevitable and would certainly be inconsistent with our objective of an efficient postal service. Principal criticism would be experienced in the following areas:

(*a*) Public reaction to the elimination of Saturday delivery could be quite serious. This could result in a great deal of adverse publicity which could inevitably affect our future requests for postal rate increases.

(*b*) While many firms are closed on Saturday most of them make arrangements for receipt of mail deliveries to insure that all possible mail is available for the start of business on Monday morning.

(*c*) First-class mail would not be delivered between Friday and Monday.

(*d*) Our present postal facilities and equipment is not designed to handle storage or weekend mail. This would tend to aggravate the shortage of space already existing at many of our city delivery facilities.

(*e*) In rural and farm areas Saturday is the principal trading day and these areas do not observe a 5-day week.

Mr. GARY. Thank you, sir. I would like very much to have them, because that was merely a suggestion of mine; and I do not want to say that it should be done without a very definite study. But it has oc-

curred to me for some time as a possible source of savings, and I am glad to know that you have made a study of it. I shall be interested in seeing the results of the study.

ACCRUAL ACCOUNTING

There was some reference made a few minutes ago to accrual accounting. What is the effect of accrual accounting on the Post Office Department? Will it require extra work and extra people, and what are the advantages?

Mr. DAY. Well, I would like to have the experts from the Bureau of Finance go into that more specifically. It is remarkable to me how close our figures on an accrual basis are with those on an obligation basis. We come out with only about a $50 million difference overall.

Mr. NICHOLSON. That is right.

Mr. DAY. Mr. Nicholson can give you some details about what it involves from the standpoint of the Department's administration.

Mr. NICHOLSON. In the first place, Mr. Chairman, the accounting basis has no effect whatsoever on our submission for 1963. It has no effect whatsoever on the obligational authority that we are requesting; nor indeed does it have any effect whatsoever on our actual expenditures.

The accrual basis is the type of accounting generally used by business and industry as being the best way of getting a true cost reflection of its operations. For example, to take the most obvious case perhaps, if we buy a $10 million building in 1963, a building that has a useful life, let's say, of 10 years, is it not more correct to state that cost in terms of $1 million each year for 10 years, rather than taking the $10 million of initial cost into account in the first year?

Basically that is what we have done in our accrual accounting process.

First, I would like to make it abundantly clear that this is a statutory requirement, that this Department and all other Federal departments proceed toward the adoption of accrual accounting standards and practices which will merit the approval of the GAO. I referred earlier to the specific——

Mr. GARY. Excuse me right there. We had some indication at first that when this accrual accounting basis was established, we would be able to compare the operation of one post office against another and determine whether a particular post office was operating efficiently or not.

Now, that gave some very definite possibilities of improvement, because you could say to the post office that was not operating efficiently: "You have got to bring your efficiency up." But I understand you have never gotten to the point that you can make those comparisons. Is that correct?

Mr. NICHOLSON. No, sir. And I believe you are thinking more of a cost accounting approach rather than an accrual accounting approach. It is very difficult under any system of accounting to compare various post offices because of the different nature of the mail in each of the separate post offices, the different type of transportation pattern that they are working with; so that the post office in city A does not actually have a set of conditions similar to the post office in city B.

Thus, those types of comparisons that you speak of are very difficult to make with any kind of reliability.

In the case of accrual accounting, the essential differences are relatively minor, because in the Post Office Department, with such a preponderant part of the budget devoted to payroll, which is essentially a cost item, and thus the same on an accrued basis or on an obligation basis or an expenditure basis—there is relatively little difference.

Similarly transportation is basically current expense. Between those two items we account for close to 93 or 94 percent of our total obligational authority. So the change for the Post Office is relatively minor.

In the remaining 6 percent of our budget, the procedure is basically this. We deduct the capital obligations of a given year and substitute instead the depreciation that is rightly charged for all buildings whenever they were constructed.

Similarly, we do keep a different kind of control over inventories and supplies and resources, dividing them between inventories on hand and on order.

Mr. GARY. This is that system that was going to save the Government $4 billion a year, isn't it, this accrued accounting?

Mr. NICHOLSON. I don't know whether or not there is a savings implication proposed.

Mr. GARY. My recollection is that this is a recommendation that came out of the Hoover Commission.

Mr. NICHOLSON. Yes, it did.

Mr. GARY. When it was proposed it was estimated that it would save the Government $4 billion. And every time we have examined into it, we have found that it has cost the Government money, rather than saving anything. Now what is your experience on the cost of it?

Mr. NICHOLSON. We are not encountering any particular worry about costs, of administering the system itself. Perhaps the most difficult task we have had so far is to undertake a physical property inventory in order to know what the depreciation charge in any one year should be. We, of course, have to know the total value of plant and equipment procured throughout the recent past of the Department.

To take this physical inventory has taken us several years; however, we have done it with personnel absorbed from other duties. We have not added any personnel specifically for the purpose of undertaking any work on accrual accounting.

There is still one rather difficult area that we would like to have solved and that is to handle leave on an accrued cost basis. We have not yet thoroughly refined that particular category.

But so far as the costs of administering, our costs are not of any material nature.

Mr. GARY. Have you saved anything by it?

Mr. NICHOLSON. No, sir. That is why I expressed surprise when you informed me that there was an allegation that there would be a cost reduction. I would say that the reason that the Department does and should undertake this accounting is that it does result in a firmer, more stable base for ratemaking purposes.

For example, think in terms, if you will, of the parcel post situation, where we are required by law for our revenues to be within 4 percent of costs. If in a given year we undertook a very substantial increase

in physical plant, in capital investment, part of which pertained to parcel post, in any one year there could be tens of millions of dollars of that capital investment assignable to parcel post.

The impact of this extra cost might cause our revenues to fall out of line on this 4-percent basis; however, our mail service might not have been affected at all in that short run.

However, according to present requirements, we would have to adjust our rates upward in that year. Then let us say the following year the capital program was substantially complete, or there was a hiatus in it. Consequently, there was not that level of capital expenditures. The new higher rates would now be too high, and they would have to be adjusted downward again.

So that on an obligation basis, there are wider, more random swings in our cost base than is the case under an accrued accounting system.

Mr. PILLION. Will the gentleman yield?

Mr. GARY. Yes.

Mr. PILLION. I am wondering about this phase of your accrual system. You take a $10 million expenditure. That is cash that we put out tomorrow to build a building. Under your accrual system, you will only be charging $1 million based upon a 10-year life. So although the taxpayers put in $10 million, the cost, apparently, to the Post Office Department is only going to be $1 million.

Now you offset that. You say that you will get a true picture by taking the costs of other buildings built in the past, and depreciate that. But the trouble with that is this: We have a large capital expenditure program. In your figures you only show $1 million cost. In the meanwhile, you are laying out $10 million this year, $20 million this year, $30 million next year, and you will have no real check on your capital outlay. You can go wild with it.

Then you minimize your costs today, which are high on an inflationary basis. Your depreciation you take on actual costs 20 or 30 years ago was only a quarter of the cost of what it would be today. Is that correct?

Mr. NICHOLSON. Yes, sir.

Mr. PILLION. So that you do not have a true picture, because if you took the present-day replacement costs of all your other facilities and depreciated it—and, of course, a figure from 5 to 3 percent depreciation can make an awful lot of difference—you can make it look very good by taking one depreciation rate against another, which, of course, are guesses mostly.

So that it does have those possibilities of error or possibilities of making it look good, because your high costs today are being put in merely on an annual basis rather than the total amount that you spend. Am I correct in that?

Mr. NICHOLSON. Yes, sir.

But I would like again to emphasize that the way the Congress sees the budget, the way this committee sees the budget is on an obligational basis. And the President submits the budget on both an obligational and expenditure basis. So that the basic controls that are implicit in both systems are totally present. The accrued cost basis is not a substitution for either the obligation basis nor the expenditure basis, but is simply a method of accounting used for ratemaking purposes at this time.

Mr. PILLION. That is true; but if we were to take the accrual basis and look at it and use that alone, we would run into those troubles that I am talking about, would we not?

Mr. NICHOLSON. Yes, sir; but they work both ways. For the long period from 1933 until after World War II, when there was no capital investment in the postal system, no major investment, the users of the mail during that period, of course, were getting the use of millions of dollars worth of buildings and facilities with no charge being made to them during that period. They were paying rates on postage that did not reflect the cost of the service being rendered.

Now, it seems to us to be more equitable to have an annualization of the total investment in the postal system and to charge it on a more stable basis.

Mr. PILLION. Except I never believe in compounding errors; because if you had an error in 1933 or 1934, let us not compound it now, because you did have an error then. Let us try to get on a true businesslike basis, rather than make up for the error that was made in 1933 or 1940.

Mr. PASSMAN. Will the gentleman yield?

Mr. PILLION. Yes.

Mr. PASSMAN. Would we have the effect of installment buying, for example, in that you defer an obligation for investment in capital building? Perhaps you have committed yourself to $150 million worth of buildings, but it has only required $15 million to get these buildings started. And one day, in the future, we have deferred payments of 10 times that amount. Would it have such an effect as that?

Mr. NICHOLSON. No, sir, it would not.

Mr. DAY. Under any program for Government-owned buildings, Mr. Passman, the Congress would have to appropriate the total amount.

Mr. PASSMAN. For the total amount at one time?

Mr. DAY. For building a building; at one time.

Mr. PASSMAN. It would be charged up at one time, but it would be a matter of intragovernmental bookkeeping?

Mr. DAY. Yes.

Mr. PASSMAN. You would charge only 10 percent, or 5 percent, depending on the depreciation rate.

Mr. DAY. In our operation it principally has significance in trying to determine our rate structures, and the rates which we should be asking for.

Mr. GARY. I think the original plan as suggested by the Hoover Commission—and it was particularly applicable in the Defense Department—what they wanted to do was to put all expenditures on an accrual basis. The Congress would only appropriate the amount of money that was going to be spent in the appropriation year, so that there would be no unexpended balances at the end of the year. That does not apply to the Post Office Department.

The Appropriations Committee fought it at the time. The trouble with the system is that you have got to do one of two things. You either have to appropriate the full amount or give contract authority. For example, if the Navy is going to build a large plane carrier which will cost $300 million; it might not spend over $10 million the first year; but they cannot contract for a $300 million carrier without first

having an appropriation or the authority to enter into a contract for its construction.

Now, we followed that procedure at one time, and we found that when the question came up of authorizing these contract expenditures, Congress has a tendency to say: "Oh, well, that does not come in the budget; that is just a future year contract expenditure." And therefore, the Congress was more lenient in giving contract authority than in making appropriations. Consequently, we thought, rather than saving money, it would result in larger expenditures, and the experience so far has borne that out completely.

Mr. STEED. Will the gentleman yield?

Mr. GARY. Yes, sir.

Mr. STEED. Is it not true that, when you appear before the Interstate Commerce Commission for rate increases, as you currently have a matter pending, that your accrual accounting system is your way of defending your request; you do run into opposition to these requests, and do you have a firmer base upon which to make your case this way than you would have without it?

Mr. DAY. Well, I think we do, Mr. Steed, have a more reliable long-term case, because, if we have large amounts of sporadic obligations which are not going to be repeating themselves year after year, we might be thrown into profit on parcel post one year and a loss on it the next year, without anything of a long-term significance having happened. So that it does give us a smoother long-term basis for determining that we are within 4 percent.

Mr. GARY. Where you have a long-term expenditure, you would either have to have an appropriation or contract authority, is that not correct?

Mr. DAY. Well, I am trying to think in our particular Department where we get into specific examples of that.

Mr. GARY. You would not have it, except——

Mr. DAY. We do not have it to speak of.

Mr. GARY. Except in buildings. And you do not do that.

Mr. DAY. That is correct.

Mr. GARY. The General Services Administration does.

But that was the whole idea of this. Or that was one of the ideas of this accrued accounting, and it applied largely to the Defense Department.

But, obviously, before you can build a vessel the Navy has got to have either the appropriation or the authority to enter into a contract for its construction.

We have found that the Congress would give contract authority much more freely than it would make an appropriation.

Mr. DAY. Yes.

Mr. GARY. So rather than save, we thought that it operated the other way.

ADDITIONAL REVENUE FROM PROPOSED RATE INCREASES

How much additional revenue will the proposed increases bring in by the various classes of mail?

Mr. DAY. The increase on first-class and airmail will bring in about $450 million. The increase on second class, after the total increase goes into effect, will bring in about $55 million. That is the two-step aspect. And on third class, the total amount is $93 million.

DEFICITS BY CLASS OF MAIL

Mr. GARY. Can you give us the estimated deficits in each class of mail?

Mr. DAY. Well, the first class, under the rate increase proposal, would be carrying 127 percent of its costs. So it is a surplus rather than a deficit. And as I mentioned earlier, that is an attempt to get back to what was the historical pattern for many years.

During the period prior to World War II, the first class carried around 140 percent of cost or higher. Airmail likewise would be above full cost. It would be 117 percent.

And second class, under the proposed bill with the new rates and the change in public service allowance, would be carrying 50 percent. And third class would be carrying 85 percent.

Mr. PILLION. Mr. Chairman.

Mr. GARY. I believe, in addition to that, you said that the parcel post, assuming that the increase that you have already submitted to the Interstate Commerce Commission are approved, would raise $85 million?

Mr. DAY. Yes, sir; $85 million.

Mr. GARY. And that would bring the parcel post up to a self-sustaining position in compliance with the law?

Mr. DAY. Well, it is very close to 100 percent of cost coverage.

SUMMARY OF RATE INCREASE PROPOSAL

I will be very glad to submit, if you would like, Mr. Chariman, a summary of the rate increase proposal on the legislative rate increases, as contained in the Murray bill. That summary shows the impact in detail of the increases, and it shows the amount which would be raised if the bill passes, and compares it with the present situation.

Mr. GARY. We will insert that at this point in the record.

(The data referred to are as follows:)

Analysis of proposed postal rate revisions, H.R. 7927 and amendments

[1963 volume basis]

Mail Class	Present rate	H.R. 7927, amended				H.R. 7927 (original bill) proposed amendment by Congressman Murray	
		Rate			New revenues (millions)	Rate	New revenues (millions)
1st-class:					$437.8		$437.8
Letters	4 cents per ounce	5 cents per ounce			409.6	5 cents per ounce	409.6
Drop letters	3 cents per ounce	4 cents per ounce			1.8	4 cents per ounce	1.8
Cards	3 cents each	4 cents each			26.4	4 cents each	26.4
Airmail:					17.3		17.3
Letters	7 cents per ounce	8 cents per ounce			16.0	8 cents per ounce	16.0
Cards	5 cents each	6 cents each			.3	6 cents each	.3
Parcel post	Zone rates	Present rates [1]			1.0	Present rates [1]	1.0
2d-class:					21.0		53.4
In-county:							
Free	Free	Present rates				Present rates	
1 cent per pound matter	1 cent per pound; ⅛ cent minimum per piece.						
1 cent and 2 cents per copy	1 cent or 2 cents per copy						
Outside county: Nonprofit publications	1½ cent per pound; ⅛ cent minimum per piece.	do				do	
Classroom publications:							
Editorial	1½ cents per pound; ⅛ cent minimum per piece.	do				do	
Advertising	50 percent of current rates; ⅛ cent minimum per piece.						
Regular publications:	Cents per pound:	Cents per pound: [2]					
Editorial	2½	2.63	2.75	2.88			
Advertising:							
Zones 1 and 2	3	3.15	3.30	3.45			
Zone 3	4	4.20	4.40	4.60		Current pound rates plus piece charges as follows:	
Zone 4	6	6.30	6.60	6.90	21.0		
Zone 5	8	8.40	8.80	9.20		Effective July 1, 1962, ½ cent	(26.3)
Zone 6	10	10.50	11.00	11.50		Effective July 1, 1963, 1 cent	53.4
Zone 7	12	12.60	13.20	13.80			
Zone 8	14	14.70	15.40	16.10			
Minimum per copy	½ cent	¾	1.0	1.0		None	

Controlled circulation	12 cents per pound; 1 cent minimum per piece.	14 cents per pound; 1 cent minimum per piece.	1.3	12 cents per pound; 3 cents minimum per piece.	.1
			[2] 57.3		93.0
3d-class:					
Single piece:					
Holiday greeting cards	3 cents 1st 2 ounces; 1½ cents each additional ounce.	4 cents per ounce	44.2	4 cents 1st 2 ounces; 1½ cents each additional ounce.	34.5
Other	3 cents 1st 2 ounces; 1½ cents each additional ounce.	5 cents 1st 3 ounces; 1½ cents each additional ounce.			
Bulk rate:					
Regular:					
Circulars, etc	16 cents per pound	18 cents per pound	3.1	Present rate	
	2½ cents minimum per piece	Present rate		3 cents minimum per piece	52.7
Books, catalogs, etc	10 cents per pound	12 cents per pound	3.9	12 cents per pound	3.8
	2½ cents minimum per piece	Present rate		3 cents minimum per piece	2.0
Nonprofit:					
Circulars, etc	16 cents per pound	18 cents per pound	.3	Present rates	
	1¼ cents minimum per piece	Present rate			
Books, catalogs, etc	10 cents per pound	Present rates		do	
	1¼ cents minimum per piece				
Occupant mailings: [4]					
Regular		3 cents minimum per piece	4.1		
Nonprofit		1½ cents minimum per piece	.4		
Bulk mailing fee	$20 per calendar year	$25 per calendar year	1.3	Present fee	
Odd size, minimum	3½ cents per piece	4 cents per piece	[5]	4½ cents per piece	[5]
Federal Government mail	Applicable class rates	Applicable class rates	20.5	Applicable class rates	22.6
Mail mix adjustment			−4.5		−3.0
Total postal revenues, all classes			$550.7		$621.2
Estimated public service funds			[6] $341.6		$247.8

[1] Air parcel post law requires payment of not less than 1st-class rates for 1st-class sent by air.

[2] Three annual increases beginning July 1, 1962.

[3] Three additional revenues will appear, in large part, in 1st-class mail. Under the proposed rates, single pieces weighing 1 ounce or less would pay postage of 5 cents as 1st-class or 3d-class mail. In addition, the pre-Christmas restrictions for 3d-class will force many "holiday greeting cards" into 1st-class.

[4] Estimated new revenues under H.R. 7927, amended, are for occupant mailings delivered on rural routes. No data available on volume of "time-value" 3d-class mail.

[5] Included in other 3d-class rate categories.

[6] Assumes 7½ percent of 1963 budget.

MAIL VOLUME

Mr. GARY. Can you give us the basis of your estimate that the mail volume will increase from the present preliminary 2.1 percent increase to 4.9 percent?

Mr. DAY. Yes, sir. That much higher percentage of increase is largely a product of the changed economic conditions.

We had a very similar thing in the period right after the 1956 recession. After that recession, the mail volume increase in fiscal 1956 had been 2.2 percent over the the previous year. In the following fiscal year, 1957, the increase was 4.7 percent, and it was largely a result of improved economic conditions.

Historically, the volume has gone up about 20 to 25 percent every 5 years, in aggregate, in a 5-year period. And we feel that it is going to do that in this 5-year period, and that this 4.9 is consistent with that historical pattern.

The Bureau of the Budget people, among others, have carefully analyzed that assumption in connection with our economic forecasts, and they agree with that estimated figure of increase in mail volume.

FRANKED MAIL

Mr. GARY. It is my understanding that the congressional franked mail problem has been settled now and that postal regulations have been amended accordingly, is that correct?

Mr. DAY. Yes, sir.

Mr. GARY. That was in accordance with the action of Congress last year?

Mr. DAY. Yes, sir.

AIRLIFT OF FIRST-CLASS MAIL

Mr. GARY. What is the status of the airlift of first-class mail?

Mr. DAY. At the time we appeared before you last year, Mr. Chairman, we stated that it was our plan not to expand airlift or the carrying of first-class mail on a space-available basis by air. We have not expanded it. There is a small increase in the total amount provided for that, simply because of the increase in volume on existing routes. But we have not made an extension to new routes, and there has not been any change in the program other than routine adjustments since the time we appeared before you.

Mr. GARY. Do you propose any changes?

Mr. DAY. No, sir.

CONSTRUCTION PROGRAM

Mr. GARY. Are you still using the post office construction program to assist depressed areas?

Mr. DAY. No, sir. We expedited our construction program under the leasing plan last spring, but in the early fall, when economic conditions had substantially improved, we went back to a regular flow of new construction, and we are building buildings now without any expedited program in effect.

Mr. GARY. What are your plans regarding construction of new post offices for the next fiscal year?

Mr. DAY. Our program is to concentrate on larger communities and larger facilities. During fiscal year 1960 there were a very large number of buildings built, and that was also true in 1961. Many of those were very small facilities in very small communities. It did result in an impressive total of numbers of new buildings.

But we believe that we have pretty well caught up with the justifiable need for a crash program of new buildings in small communities and that the best place where we would improve service and improve the economy and efficiency of mail handling was in larger facilities where, by having new equipment, better space, better working conditions, we could expect to have some results in the way of efficiency and economy. So we will be building a smaller number of buildings in total, but, of course, they will involve a rent obligation per building which, on the average, is higher than it has been under the small building emphasis.

Mr. GARY. How many new post offices are in the 1963 budget?

Mr. DAY. Well, we do not have a specific figure, but I believe that it is going to result in about 1,000.

Mr. Bishop will give you a figure on that.

Mr. BISHOP. Mr. Chairman, the 1963 submission contains a rent estimate based on new construction awards of approximately 1,000 buildings in 1963.

By comparison, during the fiscal year 1961 that has just been completed, there were 2,148 new building awards; or approximately one-half as many in 1963 as in 1961.

CONSULTANTS

Mr. GARY. What is your policy regarding use of consultants and consulting firms?

Mr. DAY. We have continued the policy we announced to you a year ago, Mr. Chairman, of minimizing use of outside consultants. Aside from use on engineering and technical work in the mechanization field, we have stayed away from the use of consultants for such things as public relation activities and management engineering activities. We have been making extensive use all during the past year of people from the Bureau of the Budget; the Bureau of Standards; Health, Education, and Welfare; other parts of the Government; to get their expert advice in specialized fields on matters of assistance to us.

But all of that management-consultant work is being done by people inside the Government.

ADDITIONAL EMPLOYEES REQUESTED FOR 1963

Mr. GARY. How many additional employees are included in the budget for 1963?

Mr. DAY. The figure for 1963 is 608,727 total positions in comparison to 593,262 for fiscal year 1962. That is a 2.6 percent increase.

Mr. GARY. Do you anticipate any difficulty in recruiting this number?

Mr. DAY. No. I don't believe so, Mr. Chairman. The turnover rate in the Post Office continues to be very low and very favorable. And we are very anxious to improve the quality of our people that we recruit at all levels in the Department and are working on methods to bring that about. But I think that we will be able to obtain them.

As you may know, we found that substitute employees of the Post Office who do not get paid penalty overtime were sometimes working 70 and 80 hours a week, while regular employees were not getting overtime because in their case overtime cost the Department more. We felt that that long a period of work did not lead to efficiency or safety, and we announced a program some months ago to reduce the number of hours that were to be worked to not more than 44 per week. And as a result of that, a number of those substitute jobs became regular jobs, and it did put more individuals on the payroll, but we believe that it has increased efficiency from the standpoint of man-hours of output.

Mr. PILLION. Will the gentleman yield?

Mr. GARY. Yes.

OVERTIME WORK

Mr. PILLION. Did you give any consideration to permitting employees to work, say, 48 hours or 44? There are many times many families who have unusual expenses, such as sending children to college and that sort of thing.

Many people would like to earn a little bit more money because of special reasons. And I have always advocated permitting someone to work that wants to work in the Department itself, rather than requiring them to go out to work in a drugstore, for instance. Why should a person not be permitted to work 48 hours in the Post Office?

Mr. DAY. Well, of course you understand this new policy which I referred to applies——

Mr. PILLION. Yes, I agree with you.

Mr. DAY (continuing). Applies only to the substitutes.

Mr. PILLION. Oh, I see.

Mr. DAY. It has no effect in the situation on our regular employees, either clerks or carriers or whatever they may be.

They customarily have not worked overtime except in unusual periods, such as the Christmas period.

During this Christmas season, we had that point in mind, and concentrated on allowing overtime for our regular employees, rather than bringing in inexperienced temporaries, as large a number as we had had previously.

But the reduction from 70 to 80 hours down to 44 applied to the substitute employees.

Mr. PILLION. I see.

Mr. DAY. Who do not get paid more than regular time for overtime work.

Mr. PILLION. But you do not have a system in which a regular employee could work overtime beyond the 44 hours?

Mr. DAY. We do not have a system. We have one place where we have an unusual employment problem where we use 48 as our figure, even on substitutes. That is up in Anchorage, Alaska. But we do not have a system.

Mr. PILLION. I wonder if you might give some thought to that, General.

Mr. DAY. We certainly will.
Mr. PILLION. Thank you.
Mr. DAY. We will give you a further report on that, Mr. Pillion.

SEPARATE APPROPRIATION FOR RESEARCH

Mr. GARY. What would your reaction be to the establishment of a separate appropriation for research, development, and engineering, General?

Mr. DAY. Well, we feel that very little would happen as a result of it being a separate appropriation from the standpoint of the Department's operations and administration. We could certainly fit into it, but, in brief, we feel that it would accomplish very little.

As you know, the Department, prior to the Hoover Commission change, had 60 separate appropriations. We feel that there is sufficient control in the appropriation patterns we have now, that they perform the committee's wishes satisfactorily, and we think very little would be gained by having additional breakdowns.

PAYMENT FOR PUBLIC SERVICES

Mr. GARY. Now, on this item of public service, may we show that in 1959, which was the first year, the request was for $171,259,000, and no appropriation was made. In 1960 the request was for $172 million and the appropriation was $37,400,000. In 1961 it was $49 million and we appropriated $49 million. In 1962 it was $62,700,000 and we appropriated $62,700,000. And in 1963 it is $247,800,000.

I would like to insert this little table in the record.

(The table referred to is as follows:)

Payment for public services

	Request	Appropriation
1959 (1st year)	$171,259,000	0
1960	172,000,000	$37,400,000
1961	49,000,000	49,000,000
1962	62,700,000	62,700,000
1963	247,800,000	

JUSTIFICATION OF ESTIMATE FOR PAYMENT FOR PUBLIC SERVICE

Mr. GARY. At this time insert pages 1.1 through 1.5 of the justifications. I think we have covered that item rather thoroughly.

(The material referred to is as follows:)

Payment for public services, 1963 (out of the general fund), analysis of appropriation request

[In thousands]

	1961 appropriation	1962 appropriation	1963 estimate
Revenue loss on free and reduced rate mail	$48,150	$61,850	
Total loss on free and reduced rate mail			$205,736
Loss on nonpostal services			20,208
Loss on special services			21,006
Excess rates paid to foreign air carriers	850	850	850
Total	49,000	62,700	247,800

JUSTIFICATION

Purpose of appropriation request

The Postal Policy Act of 1958 (39 U.S.C. 2301–5) identifies as "public services" certain types of services traditionally rendered by the Post Office Department and provides that the loss thereon or cost thereof should not be considered a charge against other users of the mail. The act provides that estimates of such losses and costs shall be determined annually and paid into postal revenues by appropriation from the general fund of the Treasury. Such receipts, under existing law, must be taken into account in applying the cost recovery standard in determining legislative postal rate requirements. The appropriation does not, however, augment the Departments obligating authority.

The initial appropriations for this purpose (1960 through 1962) were limited to the revenue loss (revenue foregone) on free and reduced rate mail and to the excess rates paid to foreign air carriers as a matter of public policy. The present administration of the Department now believes that this is not in accord with the intent of the Postal Policy Act.

Basis for estimates

The principal change in interpretation which appears both proper and necessary is the use of total loss (cost minus revenue, if any) rather than revenue loss (revenue foregone) on free and reduced rate mail. The statute itself uses "total loss" in describing this public service category. With the widened disparity between regular rates and reduced rates for nonprofit organizations there has been an unusually rapid growth in the reduced-rate category of mail. General recognition of the magnitude of the total loss on this type of mail by its inclusion in the public services appropriation should be an aid in obtaining some increases in rates in this area.

Further, the adoption of accrual accounting by the Department for its operating statements necessitates a revised interpretation of the section on public services dealing with losses on nonpostal services to other Government agencies. When this item was first submitted to the Congress for inclusion in the public services appropriation it was rejected on the grounds that it was more than offset by similar costs performed for the postal service by other agencies without reimbursement. These costs, which for 1963 are estimated at $25.7 million, are now included in the accrued costs of the postal service to be recovered in rates. The Department must now, therefore, obtain reimbursement through the public services appropriation for its unrecovered services to other agencies since otherwise there is no longer an offset and costs in effect would be duplicated.

Losses on special services have been excluded from previous appropriations for public services on the grounds that the Department should raise the rates for their services so as to eliminate the losses. Recently the Department has completed careful and detailed studies of each of these services. As a result it has raised rates for money orders, special delivery, c.o.d. and registry to the maximum extent of economic feasibility and has decided that the rates for other services in which losses have been sustained are already at this point However, there still remains a net overall loss on these services when measured against fully allocated costs. Since further rate increases would produce no net gain for the Department, it is now recommended that the net loss be covered by a public service appropriation and not passed on to the users of the mails.

Accordingly, the Department proposes for 1963 that the public services appropriation be augmented to include total loss on free and reduced rate mail and the loss on nonpostal and special services. In so doing all but one of the public services enumerated in the Postal Policy Act will be covered. That one relates to the "loss" on the star route system and third- and fourth-class post offices. This item has been consistently excluded by the Department because it knows of no practicable way of determining "losses" or "gains" on operating segments of an integrated service such as the postal system.

In determining the amounts of the various losses estimated for the various categories of mails and services fiscal year 1960 cost ascertainment data have been used, adjusted (1) to an accrued cost basis, (2) to include legislative increases on wage rates and fringe benefits enacted since 1960, and (3) to provide for estimated changes in volume.

Estimate of public services for certain categories of mail and service computed on total loss basis at estimated accrued costs (fiscal year 1963)

[Thousands of dollars]

[Reference: Numbers and letters in parentheses are those used for the corresponding items in 39 U.S.C. 2303 (a)]

	Estimated revenues [1]	Estimated accrued costs [1]	Estimated total loss
Par. (1) Total loss on free and reduced rate mail:			
2d-class mail:			
(A) Reduced rate mailings:			
Newspapers and periodicals of nonprofit organizations (secs. 4359 and 4360)	$6,557	$99,784	$93,227
Publications for religious and classroom use (secs. 4359 and 4360)	838	7,098	6,260
(C) Free-in-county publications (sec. 4358)	----------	16,268	16,268
Total, 2d-class mail	7,395	123,150	115,755
3d-class mail: (G) Qualified nonprofit organizations, bulk piece rate (sec. 4452) [2]	31,016	89,501	58,485
4th-class mail:			
(I) Books and educational materials (sec. 4554a)	29,438	53,012	23,574
Books and library materials (sec. 4554b)	1,313	7,023	5,710
(D) Matter for the blind, at 1-cent per pound (sec. 4653b)	12	104	92
Total 4th-class mail	30,763	60,139	29,376
Penalty mail: (B) Pan American Union and the Pan American Sanitary Bureau (sec. 4152a)	----------	116	116
Franked and official mail:			
(E) Diplomatic Corps of the Postal Union of the Americas and Spain (sec. 4168)	----------	105	105
(F) Former Presidents and widows of former Presidents	----------	[3]	----------
(H) Absentee ballot mailings	----------	[4]	----------
(D) Matter for the blind, free (sec. 4653a)	----------	1,899	1,899
Total, franked and official mail	----------	2,004	2,004
Total, free and reduced rate mail (1)	69,174	274,910	205,736
Par. (3) Loss on nonpostal services:			
Civil service [5]	----------	4,523	4,523
Documentary stamps	----------	391	391
Official mail messenger service	----------	294	294
Building space and related services provided other agencies	460	15,460	15,000
Other nonpostal services (fully reimbursed)	42,594	42,594	----------
Total nonpostal services (3)	43,054	63,262	20,208
Par. (4) Loss on special services:			
Registry (paid)	32,929	32,923	[6] 6
Insurance	28,984	24,964	[6] 4,020
Collect-on-delivery	11,790	18,846	7,056
Certified mail	9,690	8,219	[6] 1,471
Special delivery	31,145	45,136	13,991
Money orders	65,879	76,418	10,539
Postal savings	3,053	3,053	----------
Stamped envelopes	17,998	17,113	[6] 885
Box rents	31,313	27,115	[6] 4,198
Total, special services (4)	232,781	253,787	21,006
Par. (5) Additional cost of transporting U.S. mail on foreign air carriers	----------	850	850
Total, public services	345,009	592,809	247,800

[1] Revenue and expense estimates are based on fiscal year 1960 data adjusted to include the effect on obligations of increased salaries and related personnel costs under Public Laws 86-382, 86-568, and 86-767. The data further adjusted to reflect the expenses on an accrued cost basis. These adjusted expenses were then related to fiscal year 1963 budgeted volumes and adjusted to accrued cost levels for that year. Rate increases granted railroads under Interstate Commerce Commission docket Nos. 33316, 33517, and 33549 are also included.

[2] Based on volumes of nonprofit minimum per piece rate mailings developed for fiscal year 1961, projected o fiscal year 1963 budgeted volume.

[3] Included in item E.

[4] No data available.

[5] Excludes estimated expense for civil service functions related to post office personnel.

[6] Denotes gains which are used as offsets to losses.

CONDUCT OF HEARINGS

Mr. GARY. Now, gentlemen, let me say this. I hope we can conduct these hearings so that everyone will have the opportunity to take care of the work in his office, with this in mind we hope to start our proceedings at 10 o'clock and adjourn at 12, and then start again at 2 and adjourn at 4.

But this afternoon I am quite certain that the general would prefer to complete his testimony.

What is the pleasure of the committee? It is now 4 o'clock. Would you like to adjourn, or would you prefer—I have finished my questions for the time being—would you like to continue?

Mr. PILLION. What is the general's timetable?

Mr. GARY. General?

Mr. DAY. I am available as long as you care to go, either this afternoon and this evening or tomorrow, whichever is your preference.

Mr. STEED. I only have one question.

Mr. GARY. Well, let us proceed.

MAIL VOLUME

Mr. PASSMAN. You mentioned earlier, General Day, that, I believe, in the past 5 years, that there was an increase of 20 percent in mail volume. Do you have a breakdown to show whether you had a larger or smaller increase in the subsidized mail or whether it was larger in first class and airmail? Do you have the general breakdown on that?

Mr. DAY. Yes; we can insert in the record, Mr. Passman, the figures on the increase by classes of mail. Do you wish it just by the three basic classes of first, second, and third class?

Mr. PASSMAN. I believe you had it broken down for 5 years, did you not?

Mr. DAY. Yes, sir. That is total pieces.

Mr. PASSMAN. I think it would be interesting to know whether the public is taking advantage of the subsidy given them.

Mr. DAY. Well, over the same time, the very marked increase has been in third class, because the bulk mail is a relatively new thing. It only goes back to the 1920's.

And it had an enormous increase following World War II. So there is a larger increase there in many of the years than there are in all of the other classes.

But the figures on the number of pieces, broken down for all of the various types of mail, comparing the estimates for 1963 with the estimates for 1962 and the actual for 1961, are contained on page 2 of the material that has been put in the record.

Mr. PASSMAN. I think that would be sufficient for our purpose, Mr. Chairman, if we should insert that table in the record.

(The table referred to appears on p. 3.)

Mr. BRAWLEY. As an aside, sir, it might be interesting to know that this year versus last year, we estimate that the third-class mail will be down 0.1 percent in volume.

Mr. PASSMAN. How about the volume of first-class mail?

Mr. BRAWLEY. First-class mail is increasing.

Mr. PASSMAN. Which means that the overall American public would have no particular objections if we should either remove or reduce the subsidy that is going to third-class mail?

Mr. BRAWLEY. It appears so, sir.

Mr. PASSMAN. I think maybe those statistics would probably support that position, would they not?

Mr. BRAWLEY. I think they will.

Mr. DAY. Just to show a few of them in relation to what Mr. Brawley says, the estimate in 1962 over the actual for 1961 shows an increase of 4 percent for first-class mail, an increase of 6.3 percent for airmail, an increase of 6 percent for second class, and a decrease of 0.1 percent for third class.

Mr. NICHOLSON. To be responsive to your inquiry, Mr. Passman, the growth of free and preferred-rate mail has been very rapid and the rate of increase seems to be increasing at this time.

Perhaps this is a reflection of the fact that as those preferential rates have stayed fixed, commercial rates have gone up—but not enough; we need increases on the commercial rates. And competitive ways of delivering messages have increased still further. The value of having the free or preferred-rate privilege is so great that many people strive to qualify, revise their charters perhaps in order to qualify, with the consequence that a very great volume of mail is occurring in the free and preferred-rated categories.

For example, close to 30 percent of all second-class pieces we handle are either free or a preferred-rate category.

Mr. PASSMAN. Thank you, Mr. Chairman.

Mr. GARY. Mr. Pillion.

Mr. PILLION. I yield to Mr. Steed.

EUROPEAN POSTAL SYSTEMS

Mr. STEED. This is all I want to ask, General. In our recent trip to Europe, when we studied some postal facilities there, we found out that the British Government has seen fit to convert its postal and telegraph and telephone system into what amounts to a corporation, and that it has to be on a self-sustaining basis. That had been true for only a few months while we were there, and of course they have not yet had enough experience to give much of a historical revelation as to how it is going to work.

I just wonder if your Department is situated where you can have the benefit of any experiences that come out of that experiment that might be worthy of some future consideration here?

Mr. DAY. Well, I have been following that development very closely, Mr. Steed. I noticed when they did make that conversion to having their own treasury funds; in effect, the British Post Office has its own revolving funds, and they not only operate in the black, but they pay income taxes on their profits, and they pay real estate taxes on their Government-owned buildings occupied for postal purposes.

I think that there would be comparatively little to be gained by any such a program in this country, because I think that we should be giving service to people wherever they are located, and not doing as a purely profitmaking organization would have to do—leave some people out of our distribution pattern if we felt that we were not making money on serving them.

But it is a marked contrast from our setup. Of course, their rate structure is also a marked contrast. In comparing British postal rates for first-class mail with average hourly earnings, which gives some fair basis of comparison, their first-class rate is about three times as high as ours.

And in Germany, West Germany, it is about six times as high.

So that I always regard the figures on the great profits of the British postal system as reflecting a whole lot of differences that are not applicable here.

They do in fact have far more employees in connection with the amount of mail handled than we do, because we handle as much mail per day just in the New York area as they handle in the entire British system.

Mr. STEED. That is all I have, Mr. Chairman.

PROVIDENCE TURNKEY PROJECT

Mr. PILLION. General, I would like to rush over, rather lightly, a few matters, and we will go into detail with the other members of your staff on the same matters.

I have here before me the report of the Comptroller General of the United States, November 1961, a review of the Project Turnkey. And after reading it, I was quite shocked with the evasions in it. Intelex Corp. in its operation and construction of the Providence, R.I., post office is certainly a classic example of how not to do things.

But the one sentence I think that wraps it up is as follows, and I quote:

The contractors * * *

meaning the Intelex Corp.—

* * * did not have available for our review adequate supporting documentation for approximately $4.4 million, or about 29 percent of estimated project costs of about $15.5 million, exclusive of land valuation at $410,000.

In other words, 29 percent of cost was not documented.

Then it goes on to detail the letters they wrote, and you gave them permission to open their books, which availed very little. I mean it was very little they could get from them.

And of course we have the other item of the 5¾-percent interest rate as against the 5¼ interest rate that they actually got from their bankers; and we are paying on a basis of 5¾, which in itself was a million dollars differential to the Intelex Corp.

Now, has the Post Office Department concluded its attempt to renegotiate this lease or to recover any of the sums involved in the Providence Turnkey project?

Mr. DAY. We have not gotten to the stage, Mr. Pillion, where we can make a final decision as to whether there should be an effort to renegotiate all or parts of the contract, because we have been awaiting the completion of the GAO study.

Mr. PILLION. Yes.

Mr. DAY. And we have not received it as yet. Although we understand the draft form is available.

We pointed out when we testified on this last year that this contract was entered into under an unusual provision of law which had not been used before and which we have no intention of using, which

gave much more leeway from the standpoint of controlling the contractors costs.

Mr. PILLION. Yes. Would you be good enough to have your appropriate departmental staff give this a thorough study and give the committee your conclusions as to what might be done to recover as much as possible?

Mr. DAY. Yes, sir.

Mr. GARY. There is another study yet to come. As I understand it, Mr. Pillion, that is a study of the costs on the project; the accounting study is yet to be presented. And that is the reason I did not go into it at the present time.

Mr. PILLION. Yes.

Mr. GARY. I thought after we get the other study, which is to be completed shortly, the committee will take it up then and decide what we ought to do about that project.

Mr. PILLION. Off the record.

(Discussion off the record.)

LEASING AND RENTAL COSTS

Mr. PILLION. General, about the question of the leasing costs for your program of next year, I understand that there is to be about a thousand new construction starts. What will the cost of those leases be per year?

Mr. DAY. I will ask Mr. Bishop to provide that figure as to what the additional leasing will be after those buildings are completed.

Mr. PILLION. Yes.

Mr. DAY. A number of the buildings which we will award in fiscal year 1963 will not involve any payments of rent during that fiscal year.

Mr. PILLION. Yes.

Mr. DAY. Particularly because of our accent on the larger buildings.

Mr. PILLION. Yes. I wonder what the estimated costs are?

Mr. BISHOP. The estimated costs of rent for leased and rented buildings in 1963 aggregates $77.4 million. This includes $1.1 million capitalized rent costs and $0.9 million payments to other Government agencies. Now, in that 1,000 buildings that we would expect to award, it is approximately the same number for fiscal year 1962 but it may run slightly higher than that. The actual increase in rent attributable to those specific new building awards we will have to derive and furnish for the record for you.

Mr. PILLION. You do not have the figure?

Mr. BISHOP. I do not have the figure for you with me today.

Mr. PILLION. Well, the total rentals for leased buildings will be how much?

Mr. BISHOP. The beginning annual rate will be $57.6 million. The rental agreements, nonleases—they are for short-term in the smaller building—will run another $9.4 million; or a combined total of $67 million.

Mr. PILLION. Is it the view of the Department that we continue building on a lease-back basis rather than owning these buildings?

Mr. BISHOP. Congressman, could I interrupt to complete the answer that I gave you.

Mr. PILLION. Yes.

Mr. BISHOP. The figures that I gave you were for the commencing rates at the start of the fiscal year.

Mr. PILLION. Yes.

Mr. BISHOP. I can complete the statement by giving the ending annual rates at the end of 1963. They are, respectively, $69 million for leased buildings and $10.1 million for rental agreements, a combined total of $79.1 million. These figures represent the annual rates at the beginning and end of the year. The actual amount we estimate for obligations is $77.4 million.

Mr. PILLION. The reason I am making this inquiry is I ran into a building situation at Buffalo, N.Y., General, in which the rent per year was, say, roughly $1 million a year, and the option to buy at the end of 10 years was, say, roughly $10 million. That is for one bid.

The second bid was a rent per year of roughly $1,050,000, just slightly more than the first one. But the option to buy at the end of 10 years was a lot lower—say $8 million. In evaluating the bid, the low option cost to the Government at the end of 10 years was completely ignored as not being part of the facts upon which you decided your building. And one of the reasons given by your Department for that situation was that there was no plan by which any of these options could be exercised.

In other words, there is no money or program by which, at the end of a 10-year term you can go in and buy these buildings, although we have the options.

So when you place the options in there, naturally the lessor is going to increase the rents, because you have an option to buy at the end of 10 years, so that the cost to the Government is increased. And yet we have no program—I am now talking about Congress and the Department—by which we could buy any of these buildings at the end of 10 years, if we saw fit and it was good business to do so. And I am wondering if you have given that any thought.

It may well be, with the large costs of our leasing per year—and it is rising very rapidly—whether the time may not come when we might be better off building some of these structures ourselves, rather than continuing this leasing program.

Mr. DAY. Well, we hope that there will eventually be legislation that permits the exercise on options to purchase.

But in one specific case, an analysis was made, and it was concluded by taking all aspects into account, that the bid that was accepted was the low bid, even taking into account the feature that you speak of.

Now, do you have further details on that, Mr. Bishop?

Mr. BISHOP. Yes, I do, Mr. Day.

Congressman Pillion, with respect to the inclusion of the options to purchase, the basic purpose of including options to purchase is to provide the Government protection against increasing costs of real property, a continual history of inflating real property values as we have seen it over the past several decades.

In 1959, to determine whether or not the inclusions of options to purchase had the effect of increasing the rental that was the basis for bidding these facilities, four different projects were bid on an alternative basis; that is, bid by all bidders both with options to purchase and without options to purchase. It is my recollection that

in those 4 cases a total of 28 bids, approximately, were received. In only three or four of those cases was there any difference at all in the basic term rental, whether an option to purchase was included or not. And in none of those three or four cases in which there was a difference were those bidders the low bidders or anywhere near the low bidders.

The Department concluded at that time that, under its advertising process whereby the Department informs bidders that the greatest weight is placed on the basic term rental in determining the low bidder, that there was no practical effect on the basic term rent by adding on options to purchase.

Mr. PILLION. Thank you very much. I do not want to go further; I can go into detail later on.

I am all through, Mr. Chairman.

Mr. GARY. Mr. Alexander.

Mr. ALEXANDER. General, I want to congratulate you and your assistants on a job well done. I think you have done an excellent job in your year in office.

Mr. PILLION. May I associate myself with those remarks?

Mr. ALEXANDER. I was interested in the figures that were just given here on the increased rental costs. If I remember correctly, in 1955 I believe the rental cost was about $35 million. In 1960 it was $75 million.

Mr. PILLION. That is what I thought.

Mr. ALEXANDER. And I could not quite square that with the figure that you gave Mr. Pillion here in regard to the rental costs of postal facilities last year. Would you——

Mr. DAY. Our figures on that, Mr. Alexander, using a slightly later date, is that in fiscal year 1957, the Department occupied a total of 67 million square feet of space, and the annual rental was $34,600,000. In fiscal year 1961 we occupied 107 million square feet of space, and the rental figure was $57,800,000.

Mr. ALEXANDER. What year was that?

Mr. DAY. 1961 fiscal year. In those totals for space occupied, in each case they include platform and maneuvering area. And combining all types of area—interior space, platform, and maneuvering area—the space occupied had gone up 60 percent, and the annual rental had gone up 67 percent. On the interior space alone, there had been a 25 percent increase in interior space during that period.

Of course, we were occupying, in many case, more costly space because of being in newer buildings, and there also is a general trend upward of rental costs. But those are the comparisons that I have.

Mr. ALEXANDER. Does that square with the figures that were given on pages 42 and 43 of the hearings last year? I believe the quoted figures are 37—well, the first date for which space figures are available on the same basis that they are used today is June 30, 1955. Therefore we have made a comparison between that date and June 30, 1960. The quoted figures are $37 million and $75 million, and include not only rent but also fuel and utilities. Now that may give the difference. I am not sure.

And then it is analyzed in detail in 1960 and 1955 with the difference in space. But that is not——

Mr. DAY. Well, we will bring that up in Mr. Bishop's testimony, Mr. Alexander, portions of which of those figures are assignable to those utilities and have the breakdown year by year so that you can make an exact comparison.

Mr. GARY. Will the gentleman yield there?

Mr. ALEXANDER. Certainly.

Mr. GARY. On page 230 of the hearings on the appropriations for 1962 appears a table giving those rental figures for 10 years, from 1951 through 1960. The figure for 1960, which is the highest, was $47,050,000.

Now for your facilities for 1963 you have your rent program, $87,405,000; and then fuel and utilities, $29,472,000; communications, $5,260,000; which makes a total of $122,137,000.

Mr. PILLION. That is what I thought that figure was, up in the hundred millions.

Mr. DAY. The figures on page 230 are comparable to the figure that I gave for 1957; just rent alone, without the fuel and utilities. And this figure is $34 million for 1957.

And the rental obligation, of course, is going up substantially each year as we occupy these new facilities which are now reaching completion and are ready for occupancy. In many instances we are moving out of a Government-owned Federal building into a new leased facility.

On the other hand, in many cases other Federal agencies have the advantage of being able to move into the space which we are vacating in some of those buildings. That is happening in a number of the large cities where we are taking over occupancy of the leased facilities and giving up space in the government-owned building. But our rental obligation is necessarily going up appreciably each year because of increased rental patterns generally where we have to renew leases, and also because of taking occupancy of these new buildings.

Mr. ALEXANDER. Well, I realize you are getting more space and more facilities and that kind of thing, but I did want to straighten out my thinking, because I——

Mr. GARY. I think we will ask Mr. Bishop to bring us a very complete table on that when he comes to testify on facilities and be prepared to explain it in detail to the committee. And I think one item probably that is having a good deal of effect on costs is air conditioning and the modernization program.

But I think we ought to have a very complete explanation of it in the record. And if you will bring a table of comparisons, say for the last 10 years, and be prepared to explain the reasons for any differences, we shall appreciate it.

Mr. DAY. We will be very happy to do that, Mr. Chairman.

AIRLIFT OF FIRST-CLASS MAIL

Mr. ALEXANDER. General, I believe that prior to your taking office, there had been a program under the Post Office, experimental program, in which they were having an airlift of certain regular mail. What policy has the Post Office developed in regard to that?

Mr. DAY. We have continued that program to the extent it was in existence, but have not expanded it.

Mr. ALEXANDER. Well, I am glad the Post Office Department has not, because I believe that there was some feeling on the part of this committee that it should not be expanded until and unless the Congress passed subsequent legislation on that subject.

INCREASE IN VOLUME OF PARCEL POST MAIL

What effect would the increased costs have on the parcel post volume, the increased costs that you are asking for?

Mr. DAY. Well, we expect actually to have an increase in total volume, because of the changes in size and weight which we are asking for. We will have some reduction in volume perhaps for small parcels, but in the aggregate we expect an increase in volume.

Mr. GARY. Will the gentleman yield?

Mr. ALEXANDER. Certainly.

Mr. GARY. Off the record.

(Discussion off the record.)

DEPARTMENT'S AUTHORITY TO FIX SIZE AND WEIGHT LIMITATIONS

Mr. GARY. In that connection, General, I understand that there is some question about the authority of the Post Office Department to fix size and weights of packages with the approval of the Interstate Commerce Commission. Can you give us some information on that?

Mr. DAY. Yes, sir. I am very conscious of that controversy, Mr. Chairman. The General Counsel of the Department, after a lengthy study of this subject, has concluded that the Department does have authority, if it obtains approval from the Interstate Commerce Commission, to make these changes. And that was the view also of his predecessor. The legal question will be one of those which will be before the Commission. And we feel that the precedents and the interpretation of past legislation will sustain our ability to make the changes.

I might say that we take this approach for a very important reason. With the size and weight changed, the average increases are only about 6 percent; that, if we had to get up to the required statutory level, within 4 percent of break-even operations, we would have to charge a 14 percent average increase, if there were no size and weight changes, and we are convinced that, if we had as large an increase as that, we would lose very substantial volume, and we would probably have to end up asking for considerably higher increases, and that they would have a snowballing effect.

But this is one of the matters that is before the Commission, and I know that it will be very carefully considered there.

Mr. GARY. Off the record.

(Discussion off the record.)

Mr. PILLION. When do you expect a decision on that, General?

Mr. DAY. We hope to have it soon enough so that we can put the increases into effect the first of July. We may have a decision within a couple of months.

Mr. PILLION. Have you had hearings?

Mr. DAY. No, not formal hearings before the Commission; although, the Department held 2 days of public meetings of which a transcript

was kept and in which they heard the views of all of the various parties that had comments on the proposal. We had a complete record of that made, both of the oral testimony and the items submitted, and that is part of what is available to the Commission in their decision.

COMMEMORATIVE STAMP PROGRAM

Mr. ALEXANDER. I notice, General, that your policy this year on commemorative stamps was to limit the number to 15. Would you compare the profits of commemorative stamps last year with prior years?

Mr. DAY. Yes.

To begin with, a determination of what the actual profit is on philatelic operations of the Department is a subject on which there has been a great deal of difference of opinion. At times they have taken all of the sales of commemorative stamps through the philatelic sales agency and assumed that they were all going to be put in stamp albums and not used. But actually, the more common pattern is to take the four stamps off the corner and put them in the album, and use the rest of them for postage.

The gross revenue from philatelic sales is down only about $800,000 in comparison to calendar year 1960. So that there has not been much change in the amount which is taken in from sales of commemoratives through the philatelic end of our operation. And that small effect on the gross revenue would indicate that whatever is the proper method of determining profit, that it has not been affected much by our change in policy.

We estimate that the profit runs around $3 million a year, and is not the very much larger figure that has been used from time to time in the past.

Many small collectors, according to the information we obtain, simply are not able to keep up with buying sheets and plate blocks when there are 40 to 45 new stamps a year; so they have a certain amount put into their collections, and they often put in the same amount for a smaller number of stamps.

Mr. ALEXANDER. That is all I have, Mr. Chairman.

Mr. GARY. Mr. Conte.

Mr. CONTE. General, I, too, want to congratulate you on your fine work that you have performed in the last year.

Mr. DAY. Thank you, Mr. Conte.

Mr. CONTE. By the looks of your appearance, it has not done you any harm.

FREE-IN-COUNTY MAIL

Mr. CONTE. In regards to this public service item, I notice in here $16 million plus for free-in-county publications. Is there any basis for that any longer; any justification for it?

In the old days when we had the horse and buggy it was difficult to get the news media out to the people. Transportation was such that you had to do something like this; but now, with all the newspaper companies that have modernized their plants and they have their own trucks and their own delivery boys, is there actually any justification for this item?

Mr. DAY. Well, I do not want to particularly take just one side of what is a very important argument on that subject, but I would say this.

In the first place, the small hometown newspapers that are the principal recipients of this particular treatment are in many cases serving a need that is not met by any other source. These small country areas usually do not have their own radio stations, and practically never have their own television stations. And metropolitan newspapers may bring them the events of the world and of the big city, but from the standpoint of the traditional and historical exchange of news and information about that community, this is still about the only formal way in which they obtain it. And the institution being a historical one that goes back many decades, I think there is still an argument that can be made for it. There are some Members of Congress who have felt strongly that it should not be continued, but I think that if there were to be a charge made for these smalltown newspapers moving within their own county, that anything that it would be practicable to get on the books would be extremely small in relation to our total budget.

Mr. GARY. Will the gentleman yield?

Mr. CONTE. Yes.

Mr. GARY. Off the record.

(Discussion off the record.)

Mr. GARY. You may proceed, Mr. Conte.

MAIL VOLUME

Mr. CONTE. General, you state that the increase in the budget of $185 million is due to increased mail volume that you predict this year, which you predict will be about 4.9 percent.

Mr. DAY. Yes.

Mr. CONTE. However, last year's mail volume is running a bit lower than predicted by your Department.

Mr. DAY. Yes.

Mr. CONTE. Historically, is it not so that after a mail rate increase the volume of mail decreases?

Mr. DAY. Well, in fact, I believe the effect of rate increases on first-class mail has been quite negligible. The situation on second class, as you know, is that we had one of the increases that went into effect only a year ago; the 1958 increase involved several steps, so those increases have been going into effect these last several years. So that we are really picking up with more steps in our proposals on second, and with another step on third.

Do you want to elaborate on that?

Mr. BELEN. Yes.

What happens is this: you cannot start your increase just the day you pass the law. It is usually a 6-month leadtime, and you have a bulge ahead, particularly on circular mail, because they realize they are going to have an increase. So what looks like a decrease is really the fact that you have an advance. So we probably would get that even this year or before that went in, depending——

Mr. BRAWLEY. And that is followed by a slight decline right after the increase. It just shows as a short decrease, and it rises again.

Mr. NICHOLSON. May I amplify a little the statement the Postmaster General made? He mentioned at this time we are running 2.1 percent ahead of last year. However, I think there could be some confusion about the implication of that. The fact is that we have targeted at this time to be just about exactly at that point. The increase for the year of 3.2 percent does not anticipate that each accounting period will be exactly 3.2 percent above the comparable accounting period of previous years. The total estimate of increase in numbers of pieces of mail which results in a 3.2-percent increase for this current year anticipates an acceleration of the number of pieces toward the end of the year and a continuing growth into the following year.

So that when—I mention this, Mr. Conte, because your suggestion, I think, was that because we are 2.1 percent now——

Mr. CONTE. Right.

Mr. NICHOLSON (continuing). That we are lagging behind our goal.

Mr. CONTE. Right.

Mr. NICHOLSON. I wanted to correct that impression, because we are almost exactly where we thought we would be at this time of the year. But when the year closes, if our estimate is correct—and we are confident that the year as a whole will average out with a 3.2 percent increase in volume.

Mr. CONTE. Yes.

Mr. GARY. Will you let us have the December figures when they are available?

Mr. NICHOLSON. The accounting period closed January the 5th.

Mr. GARY. Whatever it is. That would be the December figures.

Mr. PILLION. Yes, the last figures.

Mr. GARY. That will reflect the Christmas mail.

Mr. PILLION. As compared to last year.

Mr. GARY. Yes.

(The following information was supplied later:)

Reports on December mail volume indicate an increase of 29 percent over December 1960.

INCREASE IN MAN-YEARS IN 1963

Mr. CONTE. What was the percentage increase, General, in the man-years over 1962 that you are asking for?

Mr. DAY. The man-year figure is 2.6 percent increase over our estimated total for 1962.

PRODUCTIVITY INCREASE

Mr. CONTE. And what is your productivity increase during that same period of time?

Mr. DAY. Well, we are aiming for a productivity increase of 1.2 percent.

Mr. BELEN. In the clerk account. That is the place where you can be expected to achieve changes in productivity.

City carriers, of course, are a different situation. It is a very high goal for a productivity increase. We have not had that type of a result on productivity very often in the recent years.

Mr. CONTE. With that 1.2 percent increase in productivity, does that take into account metered mail; many people meter their own mail and cancel their own mail?

Mr. DAY. Well, that is one of the factors that brings about a smaller number of man-hours used for the pieces handled; yes.

Mr. BELEN. It does not affect the distribution, where the bulk of the man-hours are used. Meter mail is not run through the canceling machine.

Mr. CONTE. But it would cut down on your canceling?

Mr. BELEN. Yes, except that it has existed every year.

Mr. CONTE. Has there not been an increase in metered mail coming? In Grand Central Station in New York you have many metering machines, and you see people using them at all hours of the day.

Mr. DAY. All those machines that are available for use by individuals are a very small proportion of mail. The use by business of metered mail has been going up over the years, but it is already at a very high percentage.

As far as mail that is metered by individuals, I think in those particular machines that probably the collection process would keep it from getting into the general stream of mail. But if you just have odd pieces of mail that are metered, we do not save much; we have to sort them out in the canceling process.

The advantage of business metering mail is that they bring it to us in special containers with special instructions, and we never have to take it through the cancellation process or have to cull it out.

Mr. CONTE. Do we have any figures of what percentage of metered mail we have from business?

Mr. BELEN. We can get it for you.

Mr. DAY. We do. I believe that about 50 percent of first-class mail is metered now.

(The data requested follows:)

The relationship of metered postage revenue to total stamp and permit revenue for the past 9 years, is shown below. Second-class postage revenue has not been included in the computation.

Fiscal year:	Percent	Fiscal year:	Percent
1953	40.3	1958	47.0
1954	42.8	1959	45.5
1955	44.2	1960	47.0
1956	45.5	1961	47.7
1957	46.4		

Mr. CONTE. And is it bulked? Is it tied up in bundles?

Mr. DAY. Well, we are working toward that. It is not required to be bulked as third class is. But under our NIMS program, we are trying very hard to get users of first-class mail to do the advance preparation, tieing out, and so on, to save time in the post office.

Mr. CONTE. That would save a considerable amount of time?

Mr. BELEN. There is $3 million of the 1962 base that has been taken out for that purpose in the budget submission.

ADVANCE PREPARATION OF MAIL

Mr. CONTE. What percentage of the magazines that come in are bulk mail by the distributor or by the magazine company?

Mr. DAY. Well, there are various degrees of advance preparation that are done by various magazines. A few of them even sort them down to zones. But it depends on the magazine.

The larger ones with large circulation do a considerable amount of advance preparation in order to speed up the delivery process, because their magazines are expected by the subscribers on a certain day. The smaller ones do lesser amounts.

Mr. CONTE. Do you think we can derive a percentage figure as to that?

Mr. BELEN. I think it is about 50 percent that have a time delivery.

Mr. CONTE. Are they all tied up?

Mr. BELEN. They are all tied up. That is a requirement to get that type of service.

Mr. CONTE. And they also have them in particular zones and all?

Mr. BELEN. By destinations.

Mr. CONTE. By destinations?

Mr. BELEN. Yes.

Mr. GARY. Will the gentleman yield?

Mr. CONTE. Yes, sir.

TRUCKING OF MAIL TO LOWER COST ZONES

Mr. GARY. They do, as a matter of fact, at times, carry those magazines and catalogs a long way by truck, and then turn them over to the Post Office Department for individual delivery.

Mr. BELEN. Some of them do. Some magazines travel as much as 2,800 miles. But that is because of the fact that the advertising rate is based on zones, and they want to reduce charges.

Mr. GARY. I have seen huge trucks back up into the Richmond post office, and they told me they were bringing catalogs or magazines from Chicago. They brought them from Chicago by truck and placed them in the mail for area distribution.

Mr. BELEN. Yes, sir.

Mr. DAY. Yes. That is one of the reasons, Mr. Chairman, why we prefer, strongly prefer, this Murray bill to the one that is out on the floor of the House, because we know we would get a per piece increase in rates. And just having an increase in the pound rate, as it is in the bill in the House, does not help us a great deal, because they can bring these magazines into the local communities. And, after all, it is the distribution and delivery costs that are expensive for us, more than the transportation.

Mr. PILLION. Will the charman yield for one question?

Mr. GARY. Yes.

METERED MAIL

Mr. PILLION. On this metered mail business, I had a matter come to my attention. There are two types of slogans. I do not have the exact wording, but one is to a condemnation of communism. The other one is that laudatory of the United Nations.

And the Pitney-Bowes machines will run this slogan on their machine favoring the United Nations. But it will not run a slogan that is anti-Communist.

I do not expect any comment from you, General, but who in your Department can comment on that as we go on?

Mr. DAY. Well, I can, Mr. Pillion. I am familiar with that situation.

To boil it down, the Department's regulation is that nothing can be permitted by a meter lessor, such as Pitney-Bowes—and there are two others coming into the business—nothing can be put on there which is misleading or objectionable. And the Department has encouraged Pitney-Bowes to expand their regulations so that in the future, for new slogans that are to be put on mail, there should be nothing actually on the meter that is of a political or ideological nature, whether it is something one might agree with or not agree with. And they are pursuing that program now.

But because of the fact the regulations were not that broad previously, there are some meters that are outstanding that do have ideological slants one way or the other.

Mr. PILLION. Then why don't we stop all printing on these cancellations? Because you are going to get these borderline cases and you are going to advertise vaseline and hair tonic and everything else before you are through. It is either all or nothing, in my estimation.

Off the record.

(Discussion off the record.)

Mr. DAY. Well, there are some 300,000 meter licenses outstanding, and the company that puts them out feels that the availability of an advertising slogan is a very important sales device for them.

Mr. PILLION. Yes.

Mr. DAY. And they are very anxious to be able to offer it. And of course we are glad to have——

Mr. PILLION. That may be right, but we are running a government and not a Madison Avenue shop.

CLOSING FOURTH-CLASS POST OFFICES

Mr. CONTE. General, last year we talked about closing up some fourth-class post offices. How many did you close in 1962?

Mr. DAY. Well, the latest figure is for the fiscal year 1961. It is smaller than it has been in recent years. We discontinued during 1961, 295 post offices, of which 218 were fourth class.

Part of the reason for running at a lower rate than we have in previous years is that small post offices were closed in wholesale lots in the preceding 20 years. Now the number is down considerably.

As a matter of fact, we now have fewer post offices in the United States than we had in 1875. And we only have about half as many as we had back in 1890. So there have been so many closings in the last 20 years that there are not as many situations where there is an improvement of service through closing an office.

Mr. GARY. Not as many to close now.

Mr. DAY. Not as many to close.

We anticipate that during the fiscal year 1963 there will be 193 closed, of which 160 will be fourth class.

Mr. GARY. Will the gentleman yield?

Mr. CONTE. Certainly.

Mr. GARY. Are you continuing the policy that has been in effect of auditing the offices when there is a vacancy in postmaster and, if the Department deems it advisable, closing them then?

Mr. DAY. That is correct. The consideration of whether to substitute another type of service, such as rural delivery or star route or rural station comes about normally when there is a vacancy in the position of postmaster, and is affected by the degree to which the community has abandoned the location. Because some of these smaller places have shriveled up until there are very few people there. So that very frequently we can give better service.

On the other hand, if there is a community there and they rely upon that post office, we are not pushing to try and see how big a number we can close up.

PREENTRY PREPARATION

Mr. CONTE. Mr. Chairman, I would like to ask Mr. Belen if he can, when he gets the figures I requested for the record and obtain the increase in mail volume from 1950 to 1960 and what percentage of that increase was in bulk mail and what percentage of that bulk mail receives preentry preparation.

(The information supplied follows:)

The volume of bulk second-class mail during fiscal year 1950 amounted to 5,776,422,985 pieces. During fiscal year 1960, it amounted to 7,131,686,463 pieces. The percentage increase in volume was 23.5. All of this mail received premailing separation by the mailer to routes, States, and cities or distribution points. Some publishers make a further premailing separation to delivery zones in the 107 zoned cities in order to expedite delivery.

Mr. BELEN. Yes.

Mr. CONTE. I have no further question.

Mr. DAY. Under the Department's regulations, all bulk mail third-class is required to have preparation. The Postal Manual spells that out. But Mr. Belen can give you that breakdown.

Mr. BELEN. By bulk mail, are you talking about first class or second class?

Mr. CONTE. I was talking about magazines, and that is second, is it not?

Mr. DAY. Yes.

Mr. GARY. That concludes the hearings for today; and, gentlemen, I think you will perceive that the committee generally is very much pleased with the work of your Department during the last year. You have certainly given us a very complete, comprehensive coverage of the general principles involved.

Beginning tomorrow, we will start going into some of the individual operations.

We stand in recess until 10 o'clock tomorrow morning.

TUESDAY, JANUARY 16, 1962.

ADMINISTRATION, REGIONAL OPERATIONS, AND RESEARCH

WITNESSES

H. W. BRAWLEY, DEPUTY POSTMASTER GENERAL
RALPH W. NICHOLSON, ASSISTANT POSTMASTER GENERAL, BUREAU OF FINANCE
RICHARD J. MURPHY, ASSISTANT POSTMASTER GENERAL, BUREAU OF PERSONNEL
LOUIS J. DOYLE, GENERAL COUNSEL
LINDSLEY H. NOBLE, DEPUTY ASSISTANT POSTMASTER GENERAL AND CONTROLLER, BUREAU OF FINANCE
JAMES R. THOMASON, ASSISTANT DEPUTY POSTMASTER GENERAL
BERNARD J. BEARY, DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF PERSONNEL
CLARENCE N. BRUCE, ASSISTANT CONTROLLER FOR BUDGET, BUREAU OF FINANCE
HENRY B. MONTAGUE, CHIEF POSTAL INSPECTOR
PAUL R. ANDREWS, ASSISTANT TO CHIEF POSTAL INSPECTOR
STANCIL M. SMITH, DIRECTOR, INTERNAL AUDIT DIVISION, BUREAU OF THE CHIEF POSTAL INSPECTOR
EDWARD E. HARRIMAN, DIRECTOR, OFFICE OF RESEARCH AND ENGINEERING
L. REX LANDIS, DEPUTY DIRECTOR, OFFICE OF RESEARCH AND ENGINEERING
V. CLYDE STONE, ASSISTANT DIRECTOR FOR PROGRAMING AND CONTROL, OFFICE OF RESEARCH AND ENGINEERING
ANDREW E. NEWTON, DIRECTOR, OFFICE OF REGIONAL MANAGEMENT, OFFICE OF THE DEPUTY POSTMASTER GENERAL

Object classification

[In thousands of dollars]

		1961 actual	1962 estimate	1963 estimate
11	Personnel compensation:			
	Permanent positions	59,684	62,092	64,297
	Positions other than permanent	439	480	484
	Other personnel compensation	1,102	1,018	985
	Total personnel compensation	61,225	63,590	65,766
12	Personnel benefits	4,523	4,693	4,867
21	Travel and transportation of persons	3,957	4,887	5,195
22	Transportation of things	101	120	150
23	Rent, communications, and utilities	281	355	363
24	Printing and reproduction	83	69	69
25	Other services	14,687	5,994	12,469
26	Supplies and materials	269	193	193
31	Equipment	237	124	92
42	Insurance claims and indemnities	1,852	1,975	2,030
	Total obligations	87,215	82,000	91,194

Personnel summary

	1961 actual	1962 estimate	1963 estimate
Total number of permanent positions	7,858	8,115	8,181
Full-time equivalent of other positions	68	70	69
Average number of all employees	8,101	8,197	8,325
Number of employees at end of year	7,948	8,115	8,181
Average GS grade	8.9	9.3	9.6
Average GS salary	$7,955	$8,333	$8,509
Average postal field service level	4.5	4.5	4.5
Average postal field service salary	$5,459	$5,488	$5,531
Average salary of ungraded positions	$4,838	$4,918	$4,993

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Executive direction and administration (obligations)	17,113	18,832	20,619
(Funded operating costs)	(16,876)	(18,708)	(20,527)
(Funded capital outlay)	(248)	(124)	(92)
(Change in resources on order)	(−11)		
2. Field inspection service (obligations and funded operating costs)	16,636	17,519	17,941
3. Contract research, development, and engineering (obligations)	14,490	5,150	11,615
(Funded operating costs)	(11,700)	(11,750)	(11,515)
(Changes in resources on order)	(2,790)	(−6,600)	(100)
4. Regional administration (obligations and funded operating costs)	22,799	23,789	24,101
5. Regional finance operation (obligations and funded operating costs)	16,177	16,710	16,899
6. Employees' compensation fund (obligations)			19
(Operating cost funded or to be funded)	(50)	(84)	(84)
(Changes in workmen's compensation liability to be funded)	(−50)	(−84)	(−65)
Total program obligations	87,215	82,000	91,194
(Total funded operating costs)	(84,238)	(88,560)	(91,067)
(Total funded capital outlay)	(248)	(124)	(92)
(Total changes in resources, net)	(2,729)	(−6,684)	(35)
Financing:			
Comparative transfer from other accounts	−8,240		
Unobligated balance lapsing	936		
New authority	79,911	82,000	91,194
New authority:			
Appropriation	77,920	82,000	91,194
Transferred from "Modernization and improvement of buildings and equipment"	1,991		
Appropriation (adjusted)	79,911	82,000	91,194

Mr. GARY. We will take up this morning "Administration, regional operation, and research." The appropriation for this item for 1962 was $82 million. The estimate for 1963 is $91,194,000, which is an increase over 1962 of $9,194,000.

JUSTIFICATION OF THE ESTIMATE

We will insert at this point in the record pages 10.1 through 10.4, 11.1 through 11.10, and 12.1 through 12.3, 13.1 through 13.3, 14.1 through 14.10, and 15.1 through 15.9 of the record.

(The information referred to follows:)

ADMINISTRATION, REGIONAL OPERATION, AND RESEARCH, 1963

Statement relating 1961, 1962, and 1963 programs

[Thousands of dollars]

1961 program (obligations incurred)	$87,215

FISCAL YEAR 1962

Increase or decrease due to—	
Pay and health increases (1961 carryover)	129
Within-grade, automatic, and other promotions	960
Filling vacancies	823
New positions (headquarters)	489
1 less paid day	−193
Other personnel compensation	175
Personnel benefits	152
Travel and household moves	951
Headquarters services, supplies, and equipment	−51
Fidelity bond premium	400
Reimbursement to Treasury for processing paid money orders	209
Damage claims	120
Contract research, development, and engineering	−9,340
Miscellaneous items	−39
Total	−5,215
1962 program (estimated obligations)	82,000

FISCAL YEAR 1963

Increase or decrease due to—	
Within-grade, automatic, and other promotions	599
Filling vacancies (1962 carry over)	699
New hearquarters positions (net 1962 carryover)	234
New headquarters positions and benefits, 1963	1,046
Reduction in regional personnel, 1963	−313
Other personnel compensation and benefits	61
Travel and household moves	338
Headquarters services, supplies, and equipment	−29
Fidelity bond premium	−400
Reimbursement to Treasury for processing paid money orders	403
Damage claims	55
Contract research, development, and engineering	6,465
Miscellaneous items	36
Total	9,194
1963 program (estimated obligations)	91,194

Analysis of estimated increases or decreases in obligations, 1961–63

Activity and account	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		Net total increase	
			Mandatory items	Other costs		Mandatory items	Other costs	Amount	Percent
Average number of positions	8,101	8,197	------	------	8,325	------	------	128	1.56
Average compensation	$7,476	$7,708	$195	$37	$7,976	$154	$114	$268	3.48
	In thousands								
Executive direction and administration	$17,113	$18,832	$874	$845	$20,619	−$93	$1,880	$1,787	9.49
Field inspection service:									
Inspectors and clerks	15,522	16,320	583	215	16,716	326	70	396	2.43
Internal audit (field)	1,114	1,199	69	16	1,225	23	3	26	2.17
Subtotal	16,636	17,519	652	231	17,941	349	73	422	2.41
Contract research, development and engineering	14,490	5,150	------	−9,340	11,615	------	6,465	6,465	125.53
Regional operation:									
Administration	22,709	23,789	1,140	−60	24,101	648	−336	312	1.31
Finance	16,177	16,710	398	135	16,899	189	------	189	1.13
Subtotal	38,886	40,499	1,538	75	41,000	837	−336	501	1.24
Awards and training	90	------	------	−90	------	------	------	------	------
Employees compensation fund	------	------	------	------	19	19	------	19	------
Total administration, regional operation, and research	87,215	82,000	3,064	−8,279	91,194	1,112	8,082	9,194	11.21
Total increase over prior year	5,081	−5,215	------	------	9,194	------	------	------	------

Detail of positions and man-years, 1961–63

POSITIONS

Activity and account	1961 (actual)			1962 (estimate)		1963 (estimate)	
	Regulars	Temporaries	Total	Regulars	Total increase 1962 over 1961	Regulars	Total increase 1963 over 1962
Executive direction and administration:							
Postmaster General	106	8	114	107	1	107	----
Headquarters services	108	6	114	114	6	114	----
Bureau of Personnel	97	8	105	95	−2	101	6
General Counsel	69	9	78	74	5	76	2
Chief Postal Inspector	119	2	121	123	4	123	----
Internal audit	13	1	14	13	----	13	----
Bureau of Operations	214	17	231	209	−5	209	----
Bureau of Transportation	91	2	93	122	31	122	----
Bureau of Finance	292	8	300	302	10	302	----
Bureau of Facilities	168	9	177	147	−21	147	----
Research and engineering	157	20	177	204	47	310	106
Subtotal (headquarters)	1,434	90	1,524	1,510	76	1,624	114
Money order center	273	----	273	285	12	284	−1
Civil defense	----	----	----	----	----	1	1
Total executive direction and administration	1,707	90	1,797	1,795	88	1,909	114
Field inspection service:							
Inspectors	977	----	977	978	1	978	----
Clerks	423	----	423	436	13	436	----
Internal audit (field)	103	----	103	106	3	106	----
Total field inspection service	1,503	----	1,503	1,520	17	1,520	----
Regional operation:							
Administration	2,292	----	2,292	2,409	117	2,361	−48
Finance	2,356	----	2,356	2,391	35	2,391	----
Total regional operation	4,648	----	4,648	4,800	152	4,752	−48
Total positions	7,858	90	7,948	8,115	257	8,181	66

MAN-YEARS

Executive direction and administration:							
Headquarters	----	----	1,464	1,516	52	1,640	124
Money order center	----	----	276	284	8	286	2
Civil defense	----	----	----	----	----	1	1
Total executive direction and administration	----	----	1,740	1,800	60	1,927	127
Field inspection service:							
Inspectors	----	----	978	977	−1	975	−2
Clerks	----	----	424	434	10	436	2
Internal audit (field)	----	----	103	106	3	107	1
Total field inspection service	----	----	1,505	1,517	12	1,518	1
Regional operation:							
Administration	----	----	2,401	2,373	−28	2,373	----
Finance	----	----	2,455	2,507	52	2,507	----
Total, regional operation	----	----	4,856	4,880	24	4,880	----
Total, man-years	----	----	8,101	8,197	96	8,325	128

Executive Direction and Administration, Increase $1,787,000

Analysis of obligations

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	1,740	1,800			1,927			127
Average compensation	$7,476	$7,708	$106	$126	$7,977	$50	$219	$269
	In thousands							
Personnel compensation (11)	$13,031	$13,900	$397	$472	$15,395	$280	$1,215	$1,495
Personnel benefits:								
Health insurance	82	91	4	5	101	2	8	10
Group life insurance	43	46	1	2	51	1	4	5
Retirement fund contribution	798	851	24	29	942	17	74	91
Social security tax	8	8			9		1	1
Total personnel benefits (12)	931	996	29	36	1,103	20	87	107
Travel and transportation of persons:								
Headquarters travel	407	495	48	40	599	7	97	104
International Postal Congress	5	9		4	20		11	11
Total (21)	412	504	48	44	619	7	108	115
Transportation of things:								
Household goods and effects	12	15		3	44		29	29
Freight on equipment and supplies	1			−1				
Total (22)	13	15		2	44		29	29
Rents, communications, and utilities:								
TWX, cablegrams, telegraph, and teletype	7	11		4	11			
Telephone and other communications	171	175		4	175			
Rental of equipment	99	165		66	173		8	8
Total (23)	277	351		74	359		8	8
Printing and reproduction (24)	79	64		−15	64			
Contractual services:								
Emergency and miscellaneous expense	4	10		6	15		5	5
Liaison expense	32	33		1	40		7	7
Fidelity bond premium		400	400			−400		−400
Repairs and services	106	192		86	187		−5	−5
Reimbursement to Treasury for processing paid money orders		209		209	612		403	403
Total (25)	142	844	400	302	854	−400	410	10
Supplies and materials (26)	241	164		−77	164			
Equipment (31)	237	124		−113	92		−32	−32
Damage claims (42)	1,750	1,870		120	1,925		55	55
Total obligations	17,113	18,832	874	845	20,619	−93	1,880	1,787
Total increase over prior year	1,252	1,719			1,787			
Percent increase over prior year	7.9	10.0			9.5			

JUSTIFICATION

Service rendered.—Executive direction and administration provides for the top management and other headquarters functions of the postal service. The estimate provides for the salaries, travel, and related expense of all personnel in the headquarters at Washington, D.C. It also provides for certain expenses directly related to, and administered by, headquarters.

1. Salaries and related expenses of the personnel at the money order center in Kansas City, Mo.

2. Expenses of departmental representatives to meetings of the International Postal Congresses.

3. U.S. share of costs of maintaining the office of the Universal Postal Union at Berne, Switzerland, and the Postal Union of the Americas and Spain at Montevideo.

4. Operating expenses applicable to headquarters, including rental of tabulating and office equipment; contractual services; equipment repairs; procurement of office supplies, furniture, and equipment; printing and reproduction (primarily for headquarters use); and communications.

5. Payment of compromise settlements and damage suits and administrative settlement of claims not exceeding $2,500 under the Federal Tort Claims Act.

6. Payment of the biennial fidelity bond premium of all bonded employees.

Personnel.—The following schedule shows the positions estimated for 1962 and 1963 under this activity:

Office	1962 estimate	1963 estimate	Increase or decrease (−)
Postmaster General	107	107	
Headquarters services	114	114	
Bureau of Personnel	95	101	6
General Counsel	74	76	2
Chief postal inspector	123	123	
Internal audit	13	13	
Bureau of Operations	209	209	
Bureau of Transportation	122	122	
Bureau of Finance	302	302	
Bureau of Facilities	147	147	
Research and engineering	204	310	106
Civil defense activities		1	1
Money order center	285	284	−1
Total, executive direction and administration	1,795	1,909	114

As indicated by the above schedule this estimate provides for a net increase of 114 employees in 1963: 6 in the Bureau of Personnel, 2 in the Office of the General Counsel, 1 to perform civil defense activities, 1 less in the money order center, and 106 in the Office of Research and Engineering.

1. *Bureau of Personnel.*—The six additional positions requested for 1963 are as follows:

(*a*) One employee relations officer, GS–13, in the Employee Relations Division to work on appeals under the equal employment opportunity directive of the White House. These cases deal with race relations and must have prompt attention.

(*b*) One training officer, GS–13, in the Training Division, who is skilled in the mechanical training field to meet the increasing workload as machines are installed in post offices.

(*c*) One personnel analyst, GS–12, in the Policy and Analysis Division, who is needed to provide additional help in developing personnel reports, procedures, and policy issuances to the postal field service. In addition, he will assist in technical research necessary to the preparation of the Department's position on personnel legislation.

(*d*) One employment and placement officer, GS–11, in the Employment and Placement Division, who is needed to meet an extremely heavy workload responding to technical placement, leave, disciplinary questions, and personnel change actions received from the Congress, regions, and employee organizations. Currently this workload is averaging 800 cases per month.

(*e*) One GS–7 and one GS–5: These are secretarial positions needed to provide essential services for the four additional positions above.

2. *Office of the General Counsel.*—The two additional positions requested for 1963 are as follows:

(*a*) One attorney, GS–12: This position is necessary to handle additional work taken on by the Real Property Division of this office. This work involves the review of all documents which will obligate facility appropriations or which commit the Department in some form of contractual liability. The review of bid packages is also included in this position.

(*b*) One GS–4: This position is needed to do the secretarial work for the above-described position and also to assist in other divisions of this Office which have a constant need of secretarial help as evidenced by the amount of overtime used for this purpose during the past fiscal year.

3. *Civil defense activities.*—In previous years, the Post Office Department was allocated funds by the Office of Civil and Defense Mobilization to cover certain assigned civil defense activities. On October 31, 1961, the Bureau of the Budget directed that each agency budget for its own civil defense activities in 1963. There is one position in the Post Office Department for which funds are being allocated at the present time.

4. *Money order center.*—It is planned to move the money order center to Washington, D.C., and integrate that function with the Treasury's system of paying and reconciling Government checks by electronic computer. This is explained more fully later in this justification under contractual services. While there will eventually be a savings as a result of this consolidation there will be temporary increases in cost so that a net reduction of only one position is projected for 1963.

5. *Office of Research and Engineering.*—The postal modernization and mechanization program will require 106 additional engineering positions in 1963. This actually represents only 76 net additional positions in the Department since 30 of the 106 positions are to replace contract engineers. Under the activity for "Contract research, development, and engineering" a reduction of funds is estimated to offset the cost of the 30 engineers replacing contract personnel.

(*a*) These positions will be needed to—

(1) Provide necessary construction, installation, and facilities planning engineers to furnish technical services required in connection with the planning, construction, mechanization installation, and conversion from manual to mechanized processing of newly mechanized major postal facilities;

(2) Provide for the replacement with civil service personnel of 30 engineers whose services are now being obtained under contract; and

(3) Provide an increased and strengthened level within the Office of Research and Engineering of expert technical capabilities and for improved guidance, coordination, and supervision of the engineering work being performed.

(*b*) These 106 positions will be used as follows:

(1) Fifteen construction engineers (seven GS–13, eight GS–12): These engineers will be resident on construction jobs to see that structures are built according to departmental specifications and schedules.

(2) Fifteen installation engineers—mechanical and industrial (six GS–13, nine GS–12): These engineers will see that mail processing machinery and equipment are installed according to good industrial practice, that they meet performance requirements, and that necessary adjustments and "debugging" are performed by contractors. They will also provide engineering guidance and assistance to local postal personnel in converting from manual to mechanized mail processing at each new facility, including the obtaining of maximum equipment utilization and establishment of proper maintenance and servicing procedures.

It is estimated that there will be 46 major mechanized facility projects underway in 1963 in some state of architectural-engineering plan preparation, construction, mechanization installation, or operational run-in. The above 30 engineers will be in residence at the site of these major facilities during and immediately after completion of building construction to insure delivery of a fully and reliably operating postal facility. This is sound engineering practice and conforms to general industry procedure.

(3) Twenty research and development engineers—mechanical and electrical (5 GS–14, 11 GS–13, 4 GS–12): These engineers will replace 20 positions presently in existence but filled by engineers under contract They will be engaged in machine design, preparation of production drawings and specifications, and testing of mail processing machines such as letter sorters, parcel and sack sorters, facer-cancelers, and cullers . They will also conduct continuous studies and prepare designs, plans, and specifications for modifications and improvements to existing mail processing machines to increase efficiency and reliability, reduce maintenance cost, and to improve designs to reduce procurement costs.

(4) Ten facilities planning engineers—mechanical and industrial (two GS–14, four GS–13, four GS–12): These engineers will replace 10 existing contract engineers working on the preliminary layout and planning of new major mechanized facilities prior to the preparation of detailed architectural and mechanization plans and drawings.

(5) Forty-six engineers: The engineering efforts of the Department have reached the stage where the existing staff has to be augmented by the addition of badly needed technical capabilities beyond those presently employed, and to provide an improved level of coordination and guidance of the technical work being performed, both by the Post Office Department engineers and by the contractors constructing facilities and engaged in the development and installation of mechanized mail-processing equipment. This need exists in the operations analysis and preliminary layout of planned new facilities; in construction engineering; in the design, layout, and preparation of specifications for mechanization; in the design, development, and preparation of specifications for new mail-processing machines; and in the area of industrial engineering designed to insure the most reliable and efficient operation of new mechanized facilities. This additional staff is necessary to cope with such increasingly complex projects as the Oakland, Calif., facility, the interrelated complex of facilities in the New York City-upper New Jersey area, and the new Detroit Post Office now being phased into operation.

Specifically, the 46 additional engineers would be assigned as follows:

(*a*) General engineer (one GS–14): This man would have competence in two or more engineering fields such as electrical and mechanical engineering and would provide consultative advice and guidance in electromechanical machine and mechanization design.

(*b*) Mechanical engineers (one GS–15, six GS–14, five GS–13, five GS–12): These men will design and prepare specifications for the mechanization portion of the major facility modernization program.

(*c*) Architects (four GS–14; five GS–13; five GS–12) : These men will be used to supervise and guide the preparation of preliminary or tentative buildings plans and drawings, and to coordinate individual major building construction projects.

(*d*) Industrial engineers and postal operations analysts (three GS–14; five GS–13; six GS–12) : These men will be used in the analysis of proposed new postal facilities, and based on operational needs and criteria, for the preliminary establishment of mechanization requirements and layouts prior to the preparation of detailed architectural plans and drawings.

The following chart shows major mechanized facility building construction awards made and planned for the period covering fiscal years 1959 through 1963, together with the aggregate number of such facilities concurrently in some state of work during those fiscal years.

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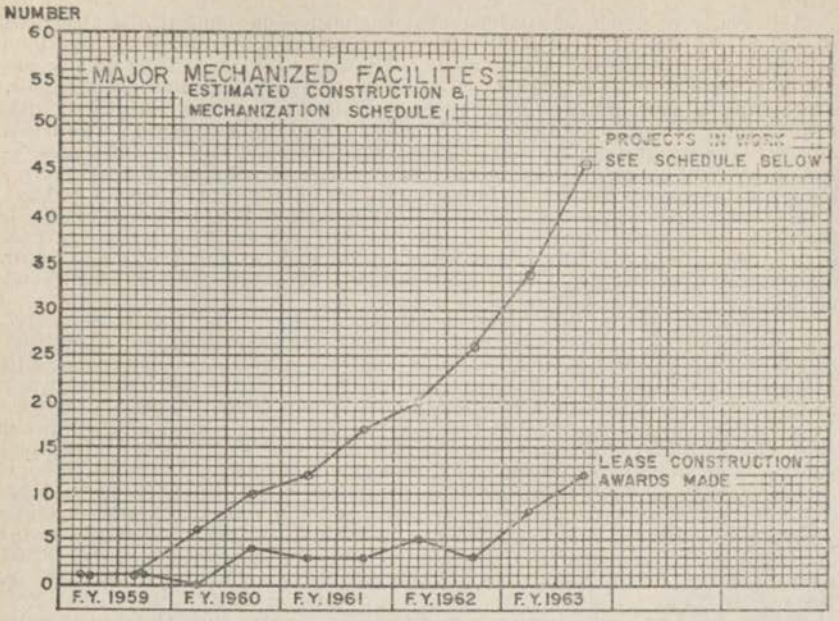

ESTIMATED AVERAGE PROJECT TIME SCHEDULE

Personnel compensation, increase $1,495,000.—The estimate provides 127 additional man-years of employment at a cost of $1,495,000. This increase is comprised of 96 man-years of employment for the 114 new positions requested for 1963, and 31 man-years for annualizing authorized positions filled on a part year basis in 1962, plus $171,000 for mandatory promotions. The cost of this additional employment is partially offset by the reduction of $500,000 in contract engineering.

Personnel benefits, increase $107,000.—This amount is the additional cost of providing fringe benefits, such as life insurance and retirement fund contributions, for the additional employment.

Travel, increase $115,000.—The total estimated increase of $115,000 is comprised of the following items:

(*a*) $90,000 for the 106 additional engineering positions;

(*b*) $7,000 for relocation of money order center and for civil defense activities;

(*c*) $7,000 for the full-year effect of the 1962 increase in per diem rates under Public Law 87–139, approved August 14, 1961; and

(*d*) $11,000 expenses of delegates attending international postal congresses. This increase is due to rescheduling the Universal Postal Union Congress to the spring of 1963 at New Delhi, India. This Congress had been scheduled to meet during 1962 at Rio de Janeiro.

Transportation of household goods, increase $29,000.—This entire amount is for movement of household goods in connection with the relocation of the money order center.

Rental of equipment, increase $8,000.—This increase is anticipated as the net difference between the discontinuance of older type electronic data processing equipment and the rental of a more versatile type computer.

Contractual services, increase $10,000.—The net increase of $10,000 is comprised of the following items:

(*a*) $7,000 increase for our pro rata share of the additional expenses of the Universal Postal Union Congress.

(*b*) $400,000 decrease in the fidelity bond premium which provides a blanket coverage for all postal employees. This is a biennial premium and is not due again until 1964.

(*c*) $403,000 increase for reimbursement to Treasury for processing paid money orders. A complete study was made of the feasibility of converting to a joint Treasury-Post Office electronic processing system and it is believed that such a system, when fully operating, will save this Department approximately $500,000 a year. The Department has made arrangements to pay Treasury for the use of its electronic equipment and technicians. The increase of $403,000 in 1963 is the full-year effect of preinstallation and part-year operating costs begun in 1962. The new system is expected to be in full operation in fiscal year 1964 at the Treasury facilities in Washington, D.C.

Equipment, decrease $32,000.—In the gradual updating of its laborsaving devices and other equipment, the Department has reached the point where there will be less replacement and less buying of new equipment in 1963.

Damage claims, increase $55,000.—An anticipated increase in the number of claims paid and a slight increase in the average per claim will require an additional 3 percent in 1963 over 1962 or $55,000. This increase is conservative in the light of experience over recent years. The growth in vehicle mileage and accident costs continue to outstrip the good results of the safety program.

Inspectors and Clerks, Increase $396,000

Analysis of obligations

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions:								
Inspectors	978	977			975			−2
Clerks	424	434			436			2
Average compensation:								
Inspectors	$10,158	$10,464	$289	$17	$10,673	$184	$25	$209
Clerks	$6,337	$6,378	$8	$33	$6,436	$56	$2	$58
	In thousands							
Personnel compensation:								
Inspectors	$9,935	$10,223	$274	$14	$10,406	$161	$22	$183
Clerks	2,687	2,768	76	5	2,806	37	1	38
Chemical and other investigations	30	31		1	31			
Expert services	10	25		15	25			
Confidential information	19	20		1	25		5	5
Rewards	50	50			50			
Total, personnel compensation (11)	12,731	13,117	350	36	13,343	198	28	226
Personnel benefits:								
Health insurance	99	102	3		102			
Group life insurance	43	46	3		46			
Retirement fund contribution	818	843	24	1	858	13	2	15
Total—Personnel benefits (12)	960	991	30	1	1,006	13	2	15
Other costs:								
Travel (21)	1,743	2,110	203	164	2,263	115	38	153
Household goods and effects (22)	53	59		6	61		2	2
Communications (23)	4	4			4			
Photographs, cuts, etc. (24)	4	5		1	5			
Test material (26)	23	29		6	29			
Test money (42)	4	5		1	5			
Total—Other costs	1,831	2,212	203	178	2,367	115	40	155
Total obligations	15,522	16,320	583	215	16,716	326	70	396
Total increase over prior year	1,635	798			396			
Percent increase over prior year	11.8	5.1			2.4			

JUSTIFICATION

General.—This estimate is to provide funds for the salaries, travel, and other related expenses of the postal inspection service (field).

The inspection service is charged with responsibility for the detection, investigation, and prevention of violations of postal laws, and for the periodic audit-inspection of post offices. In addition, this service is responsible for advising the Postmaster General and other principal officials of the Department as to the condition and needs of the service as ascertained through annual inspections and the program of internal audit and special investigations. The Chief Postal Inspector also serves as the defense coordinator and internal and personnel security officer for the Postal Establishment.

During fiscal year 1961, an all-time record of 9,860 arrests for violations of various postal statutes was established. This was an increase of 8.2 percent over the prior year. Arrests for all postal offenses have increased for each of the past 9 years, and are continuing in the current year at an increased rate. A total of 8,794 convictions were obtained with a ratio of 99.1 percent convictions of all persons brought to trial.

In fiscal year 1961 this service revised the work reporting system for inspectors in order to permit a better identification of manpower utilization and program needs. On the basis of a full-year's statistics we find that the workweek of an inspector averaged 52.5 hours. This means that the hours worked in excess of a 40-hour week represented the equivalent of 260 men working an entire year.

During fiscal year 1963 this service will continue to concentrate special attention on investigative programs relating to mail losses, fraudulent use of the mails, and use of the mails for transmission of obscene matter, and expansion of audit inspections and evaluations.

Under the audit inspection program, increased emphasis will be placed on the examination of the procedures of manpower usage and controls; accuracy of mail volume counts, and the evaluation of mail handling procedures. A program which is being given special attention is the inspection of postal transportation units.

Increases for 1963.—No additional personnel is being requested for 1963; however, carryover costs, periodic step and longevity increases, anticipated higher travel costs as a result of Public Law 87–139, an increase of 6 percent in auto mileage, and a need for additional funds in the amount of $5,000 for confidential information and services will require $396,000 more than was requested in 1962. There follows an itemization which lists the additional amounts:

[Thousands of dollars]

	Inspectors	Clerks	Total
Personnel increases:			
Automatic step and longevity increases	$181	$25	$206
Training program promotions	87	5	92
Turnover savings	−74	−3	−77
Carryover cost of filling vacancies and new positions (1962)		10	10
One less paid day in 1963	−33		−33
Other personnel actions	22	1	23
Personnel benefits	13	2	15
Total	196	40	236
Travel	153		153
Confidential information	5		5
Miscellaneous expense	2		2
Total increase	356	40	396

INTERNAL AUDIT (FIELD), INCREASE $26,000

Analysis of obligations

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	103	106			107			1
Average compensation	$8,942	$9,113	$76	$95	$9,215	$102		$102
	In thousands							
Personnel compensation:								
Internal Audit personnel	$921	$966	$45		$986	$20		$20
Reimbursement to Defense Department for audit of CPFF contracts	10	16		$6	20		$4	4
Total personnel compensation (11)	931	982	45	6	1,006	20	4	24
Personnel benefits:								
Health insurance	7	7			7			
Group life insurance	3	3			3			
Retirement fund contribution	60	64	4		64			
Total, personnel benefits (12)	70	74	4		74			
Other costs:								
Travel (21)	112	137	20	5	140	3		3
Household goods and effects (22)	1	6		5	5		−1	−1
Total, other costs	113	143	20	10	145	3	−1	2
Total obligations	1,114	1,199	69	16	1,225	23	3	26
Total increase over prior year	120	85			26			
Percent increase over prior year	12.1	7.6			2.2			

JUSTIFICATION

Services rendered.—This estimate provides for the salaries, travel, and other expenses of the Division of Internal Audit (field).

The primary function of the Division of Internal Audit (field) is to assist management by conducting independent, comprehensive audits and appraisals of financial and operating systems and controls, and by systematically reporting to top management on problem areas disclosed in the audit and appraisal process. This function has particular significance because of the Department's decentralized operations and the need for close safeguards over accountability for funds, property, and other resources.

As a part of this objective, this Division develops technical audit standards for use throughout the postal service, and provides guidance and assistance in developing procedures used in all audits and financial examinations.

The internal audit program embraces comprehensive reviews and audits of activities at department level, regional offices, and at other selected field installations. Reports on these activities are directed to the responsible officials and are designed to keep them informed on problem areas and to otherwise influence management improvement through objective appraisals of policies and procedures.

Continued expansion of the Department's mechanization and modernization program has increased the scope of audit services to contracting officials. These services are associated with all cost-type contracts with industry and involve surveys of accounting systems, analyses of cost and price estimates and proposals, and audits for determining allowable costs. Such services are advisory, but vital to contracting officers; they strengthen the negotiating and contract administration processes, and help insure the reasonableness of prices negotiated and costs reimbursed by the Department.

Personnel.—No additional personnel is being requested for 1963.

Travel, increase $3,000.—Per diem allowances were increased from $12 to $16 in Public Law 87–139, approved August 14, 1961. The $3,000 increase is the estimated difference between the full-year cost of the per diem increase in 1963 and the part-year cost in 1962.

Contract audit service by Defense Department, increase $4,000.—For those firms which have contracts with both the Post Office Department and the Defense Department, it is advantageous to the Government and to contractors to have all contract audit work handled by one agency. Since the Defense Department carries the preponderance of Government contracts with industry and is therefore more familiar with the firms' books, all of the audit work on these contracts is performed by that agency. Under this arrangement, the Post Office Department reimburses the Defense Department for auditing the Post Office Department's cost-type contracts with industry. An increase of $4,000 is anticipated for 1963 because of the increasing awareness of the need for pre-award surveys and analyses of contractors' price proposals.

Increase for 1963, $26,000.—An analysis of the net increase for this account follows:

(*a*) Automatic step increases	$21,000
(*b*) Other personnel costs	−1,000
(*c*) Reimbursement to Department of Defense for contract audit services	4,000
(*d*) Travel	3,000
(*e*) Transportation of household goods	−1,000
Total	26,000

CONTRACT RESEARCH, DEVELOPMENT, AND ENGINEERING, INCREASE $6,465,000

Analysis of obligations

[In thousands]

Item	1961 actual	1962 estimate	Increase or decrease (−)	1963 estimate	Increase or decrease (−)
Contract engineering	$2,554	$2,500	−$54	$2,000	−$500
Research and development:					
Operations research and human engineering		400	400	500	100
Collection and delivery service				450	450
Destination coding machines				1,380	1,380
In-office equipment and systems	4	650	646	500	−150
Lobby services	151		−151	665	665
Letter mail handling equipment:					
Automatic address reading	1,066	150	−916	1,075	925
Automatic sweeping, tying, and dispatch of letter-size mail	2		−2	805	805
Mechanized mail culling		100	100	250	150
Facing and canceling	995	300	−695	510	210
Letter sorting machines	1,956	300	−1,656	1,600	1,300
In-plant movement of mail	512		−512	730	730
Parcel post and sack handling equipment	1,674	250	−1,424	1,150	900
Mail coding systems studies	23	250	227		−250
Other contractual services	402	250	−152		−250
Integrated mail processing, all types of operations	5,116		−5,116		
Rental of experimental equipment	2		−2		
Supplies and materials	33		−33		
Total research and development	11,936	2,650	−9,286	9,615	6,965
Total obligations	14,490	5,150	−9,340	11,615	6,465
Percent increase over prior year	−8.5	−64.5		125.5	

JUSTIFICATION

Comparative transfer.—Obligating authority for the contract research, development, and engineering activity was authorized in the appropriations for modernization and improvement of buildings and equipment; and administra-

tion, regional operation, and research in 1961. In 1962 all obligating authority for this activity was requested in administration, regional operation, and research. The $8,240,000 for this activity chargeable to modernization and improvement of buildings and equipment in 1961 has been transferred to this appropriation to make it comparable with the programs shown for 1962 and 1963.

Program for 1963.—Our program for fiscal 1963 contemplates work to be done in six important areas of subsystem development and improvement, and for work to be pursued in seven other specialized areas where further improvement must be realized.

For each machine or procedure developed in the course of our fiscal 1963 research and development program we wish to emphasize that each project will be thoroughly studied in terms of the service and economic aspects involved. This step will be an integral part of each design or concept as it is presented for consideration. Work will proceed only after it reasonably satisfies acceptable cost and service criteria. All initial assumptions will be further verified at all stages as work on the project advances, and further work will not be continued if economic and service benefits are not evident.

CONTRACT RESEARCH, DEVELOPMENT, AND ENGINEERING, $11,615,000

Contract engineering, $2 million

The level of engineering work which must be performed on a continuing basis has increased, requiring additional permanent engineering staff. This reduces our contract engineering needs, but our modernization program still requires varied engineering services intermittently. Contract arrangements provide flexibility to vary staffing with fluctuations in specialized work, thus permitting more efficient use of engineering services, and assuring systematic progress on the entire program. Estimated amount needed for such service in fiscal year 1963 is $2 million, a reduction of $500,000 which more than offsets the funds for the 30 additional permanent engineering positions requested in the executive direction activity.

Research and development, $9,615,000

1. *Operations research and human engineering, $500,000.*—The postal service is virtually unparalleled in its operational, financial, and organizational complexity. The most that can be expected of any postal official is to understand its general operating principles and only a segment of any of its principal functions. This is particularly true with respect to the movement of mails and the interim localities where mail is routed and combined for onward shipment. However, the manner by which these and other functions are performed in their entirety has a significant bearing on mail service and operating costs. The optimum number and location of carrier stations has never been defined. The scheduling of mail handling operations to maximize service and to achieve the best use of manpower and equipment must be determined. The maximum number of sorting destinations for optimum sorting efficiency at large offices has never been identified. These and related problems can be solved only by the application of operations research techniques. Our fiscal year 1963 program calls for major initial efforts in this productive field of science. We contemplate drawing on the talents of the National Bureau of Standards and other Government agencies to assist us in the application of such a program.

Preliminary work has been done in the field of human engineering and particularly in the light and color program sponsored by the Department. We feel that considerable additional effort should be made in improving the work environment in our postal facilities. These will include the application of human engineering principles to the design of our operator work positions and to effect an orderly transition from the manual to mechanized mail processing as it occurs. Our fiscal 1963 program will include specialized investigation into human engineering problems pertinent to mail processing activities.

2. *Collection and delivery services, $450,000.*—Modern aircraft will transport mail several thousand miles in a few hours. Our equiment for collection and delivery at post offices has undergone much change in recent years as evidenced by the type of vehicles which comprise our modern fleet. Nevertheless, collection and delivery methods have lagged in their relation to the progress made in processing and in the transportation of mail.

There are several important areas where we believe the collection and delivery operations can be improved. Our program during fiscal 1963 will include the following:

(*a*) Develop improved collection boxes which will not only accommodate the local and out-of-town separation of mail but will facilitate the removal of accumulated mail by the collection-run driver. Concurrently, we propose to make several functional design changes to collection vehicles to improve their use for collection operations.

(*b*) We plan to explore various procedural changes whereby the mailings of large firms may be prepared to be more adaptable to mechanized processing and transporting in our large offices. We propose to develop containers to be provided for use by large mailers as one step in the implementation of this program.

(*c*) The continued expansion of suburban areas places increased emphasis on the need for a self-contained delivery vehicle. The lightweight carrier truck has been recognized as the economic answer to this problem. We propopse to continue our efforts to improve this equipment.

(*d*) The delivery of bulk mail in concentrated business areas has long posed an operating problem. We believe that it is possible to provide a storage unit especially designed for loading during low traffic hours from which the contents may be removed and delivered during daytime business hours.

(*e*) The loading of parcel delivery trucks requires excessive time for sequencing of parcels by the delivery driver. Our more advanced parcel sorting machines are capable of a much more refined sorting operation than was possible previously. With the development of specialized containers we believe it will be possible to sequence parcels as an integral part of the sorting operation. We propose to study the system problems and the design of equipment to perform this function.

3. *Destination coding machines, $1,380,000.*—Domestic mail must be sorted to any of the more than 35,000 post offices. It is beyond the grasp of any individual to distribute mail to this complex of destinations. As a result mail must undergo a series of sorting refinements by employees with specialized knowledge of a facet of the sorting scheme. The sorting of local and incoming mail to the various carrier routes presents an even greater problem in the larger cities. As our metropolitan areas expand, the task becomes increasingly difficult. Fortunately, great progress has been made in recent years in the field of computers which can retain almost limitless stored information and release this information virtually instantaneously. Recognizing this, the Department has conducted intensive study in the use of memory aiding codes which are adapted to our sorting problem. By the use of these codes, an operator need know only the principles by which the code is derived (or extracted) and by key strokes he can either imprint a machine-readable code on a letter or he can actuate any sorting device. The coding of mail promises not only economic benefits but also a rapid sorting of mail both at originating and transit points and at the offices of delivery. Thus, coding should act to reduce the elapsed time from receipt to delivery of mail. The projected mail volume and national growth trend makes the use of coding techniques imperative, and we propose to pursue the evolution of this concept with vigor.

Many codes have been explored and two completely acceptable ones have been produced. We are now conducting tests to determine which is more universally applicable. A coding console by which an operator imprints a machine-readable code is being tested in our laboratory. Our program in this important area during fiscal 1963 will be to—

(*a*) Remain constantly current in the dynamic field of computer techniques in order that our sorting equipment will be designed around the memory unit with the best capabilities for our purpose.

(*b*) Perform repeated simulation tests of our extraction code system based on the distribution requirements in various large offices and make such modifications of the code as may be required.

(*c*) Our present imprinted coding technique involves the use of magnetic materials. We will continue to investigate methods of improving the use of magnetic materials and methods of application.

(*d*) We have equipment in laboratory form for reading an imprinted code. We will continue our efforts to increase its operational reliability.

(*e*) We will explore the various factors involved leading to a patron participation program whereby large volume commercial mailings might be precoded to expedite processing at post offices.

4. *In office equipment and systems, $500,000.*—We propose to pursue a variety of studies which will improve the acceptance, processing, and dispatch of mail and which will assist the supervisor fulfilling his responsibilities.

Permit mailing is received, weighed, and the rate chargeable is verified by multiplying the total weight of the mailing by a factor determined by the weight of a sample. We propose to explore the development of a multibeam, logarithmically calibrated scale which will simultaneously weigh a sample and the total mailing, and read out the appropriate mailing rate.

Our fiscal 1963 program also includes necessary engineering to produce improved intercommunication systems and more useful portable conveyors and wheeled transport equipment for use at smaller offices.

We have developed equipment for counting mail electronically as it progresses through a large postal plant. Our work to improve such devices is continuing. We believe it important to develop equipment whereby the volume and flow information can be centrally accumulated and recorded in such a manner as will provide supervision a useful tool for the scheduling of manpower and for the reassignment of employees to permit the orderly processing of mail. Production control equipment for this purpose will enable large offices to make the most efficient use of manpower and equipment.

5. *Lobby services, $665,000.*—Our research program for 1963 will be to design or improve equipment for lobby use, such equipment to be of two basic types: (1) for use by the patron, and (2) for use by window clerks.

We have continued to work toward a goal of making reliable equipment available to the patron which will best serve his specific needs at offices where there are varying levels of window activity. The use of vending equipment is becoming increasingly acceptable by the public. In the postal service its use reduces the frequency of window transactions and provides a service during peak hours as well as in the evenings when the windows are closed. New principles in the design of coin-operated vending equipment are being offered by the industry and we propose to procure, modify, and test those which appear suitable to our purposes.

To reduce the time required for window transactions, we plan to investigate the development of high-speed money order issuing machines for use where the volume of such transactions would justify the use of such equipment.

6. *Letter mail handling equipment.*—

(*a*) Automatic address reading, $1,075,000: The automatic address reading device which we now have in experimental form operates on a character recognition principle. A machine with this capability has been under progressive development for several years, and we expect to test a laboratory model of the device during the fiscal year 1962. The machine will be coupled with a sorting device, and will be field tested for processing large volume check mailings such as social security, veterans' insurance dividends, and mailings of statements and dividends from large financial institutions and corporations. The machine will be programed to sort to 50 States as well as a selected number of large city destinations.

The state of the art in the field of character recognition is constantly advancing, and the work of the Department has contributed materially to the fund of knowledge in this science. We fully believe that eventually the scanning and memory components to read printed addresses will be developed to a practical level. Because of its obvious potential to the postal service, we will continue a major effort in this area until the development of operationally reliable equipment has been achieved.

Our immediate program for fiscal 1963 calls for work to be done in three important areas:

(1) We will begin engineering work for development of multiple reading and input stations linked with an appropriate computer memory.

(2) We will initiate engineering leading to the design of an integrated machine capable of simultaneous induction and sorting of operator coded mail and mail which has been read automatically.

(3) We will complete development of a preinduction device which will extract script and other mail found to be machine nonreadable from that which is within the reading capabilities of the automatic reading device.

(*b*) Automatic sweeping, tying, and dispatch sorting of letter-size mail, $805,000: A device is presently under development which appears to be a workable answer to the automatic extraction and bundling problem. The machine will be used as an adjunct to sorting machines and will be used to remove the accumulated letters and effectively tie them for dispatch. The equipment will be advanced during fiscal 1962 from its 1961 level of development, and we expect to develop a technique whereby the distination label can be affixed to the sorted

bundle. We also propose to pursue the development of a letter bundle sorter to perform the final handling of letter mail preparatory to dispatch.

(*c*) Mechanized mail culling, $250,000: The culling machines are presently on field service test assignment. While they represent advanced models, we expect to make engineering improvements as the need becomes evident. We further plan to improve the effectiveness of this machine by incorporating automatic sack shakeout of collection mail, with related mechanism for disposal of the collection sacks. Our program contemplates the further development of an improved culler-facer linkage device to further automate the mail preparation process.

(*d*) Facing and canceling, $510,000: An advanced model facing-canceling machine is under design and is in jury-rig developmental form. We expect work on this machine to be sufficiently advanced by fiscal 1964 to permit extensive field test. We will make such design modifications as are revealed by the test program. Concurrrently, we propose to continue our work in the tagging of stamps and printed postal indicia. Experiments now in process are expected to yield a satisfactory technique for tagging to permit the positive location of stamps and printed indicia on letter-size mail. Furthermore, sensing equipment to recognize the tagged stamps and indicia can readily replace the optical sensing unit presently employed, and the effectiveness of the facer-canceler subsystem will be greatly increased thereby. A controlled test of the tagging-sensing-canceling technique will be conducted in a selected metropolitan area. We also plan to continue investigations into the feasibility of noncontact canceling methods whereby cancellation may be effected by exposing treated stamps to an energizing source.

(*e*) Letter sorting machines, $1,600,000: Letter sorters are now operational in limited quantities. These units perform a direct keyboard-controlled sortation. Because of the number of operator positions and the dimensions of the machine this equipment is limited in use to larger offices. The principles of mail distribution and transportation which are fundamental to a nationwide integrated plan place emphasis on coding consoles at low volume generating offices and machine reading and sorting equipment at concentration points where conditions require a high speed operation. We propose to conduct a thorough operations analysis into all aspects of this most important problem to determine the range of equipment needs in order to achieve maximum flexibility in letter mail sorting. We are generally satisfied with the sorting machine now operational and expect to make improvements to this machine where possible. Nevertheless, the sorting of letter size mail is the highest cost single operation performed in the postal service. The cost-saving potential is sufficiently large to justify applied research into new machine sorting concepts which appear practical and promising from an operational and engineering standpoint. Peripheral studies will continue in the area of memory and control components required for high-capacity letter sorting subsystems and for improved operator training devices.

(*f*) Inplant movement of letter mail, $730,000: We propose to study the design considerations whereby equipment of the mail-flow type can be used to transport letter mail throughout letter processing operations, with particular emphasis to its adaptation to letter-sorting machines.

As a longer range project we plan to investigate the transportation of letter mail employing a streamfed principle. This we regard as the ultimate design as it will permit a continuous flow of letters throughout the processing sequence from the moment they are introduced into the processing system until they are bundled for dispatch. We believe it possible to retain constant control and orientation of the letters in transit, and the present requirement that mail be placed in trays at various processing stages will be eliminated.

7. *Parcel post and sacked mail, $1,150,000.*—Most of the parcel sorting machines developed by the Department have been installed only recently or are presently being fabricated. As these machines continue in operation, we are acquiring a fund of valuable field experience which suggest numerous areas where further improvement is necessary. To minimize parcel damage we must devise components to facilitate right angle junctures in the travel of parcels. We believe that powered turns can be developed for this purpose. We must develop an improved substitute for the receptacle bin where considerable damage presently occurs. Methods must be devised for dividing and diverting the flow of parcels during peak hours. An improved method must be found for handling the storage of parcels as well as a technique for the orderly release of parcels from storage.

Our present parcel sorters are keyboard actuated. We are experiencing difficulty in presenting the parcels to the keyboard operator at regulated speeds and intervals. We must develop an automatic spacing and feeding device to overcome this problem. As a more long-range project we wish to explore the feasibility of automatic orienting and spacing of parcels. A significant operating improvement would result if the parcels could be introduced to the operator in a manner whereby the address would be in a uniform, readable position. We propose to explore the engineering aspects of this problem.

We have in laboratory form a device which facilitates the sacking of parcels. The sacks are hung on a revolving rack so that a desired sack can be automatically positioned beneath an opening on a runout slide. An employee must be assigned to sack the parcels and to remove the filled sacks. We feel that a solution can be found to the completely automatic sacking of parcels and reduce the man-hour requirements for this operation.

We have under installation a parcel sorting system which will effect both a primary and secondary sorting operation. When complete, this will be the most advanced parcel handling system in the postal service. It is important that we continue the installation of the system as designed because of its operating capabilities and economic implications. However, we are at the same time considering various engineering concepts for subsequent modifications of the machine when our efforts to evolve improvements prove successful. One such concept will be the application of mail coding to the sorting of parcels. Such modification, when fully developed, will be relatively simple and will enhance the utility of the sorting system. The introduction of code-controlled sorting will not only relieve the human memory requirement but will permit greater flexibility of dispatch. At different hours of the day parcels for a given destination are handled by different types of common carriers. The memory of the sorting system can be programed to accommodate these and similar changes. Code-controlled sorting, when developed, will be incorporated in all new installations and existing systems will be retrofitted to include this feature.

We have two major installations equipped with sack-sorting equipment, and additional systems are being fabricated for installation at five additional offices. This equipment has demonstrated its utility in handling sacked mail in a manner far superior to the manual method. As our trucking operations expand, equipment to sort sacked mail will become vital to an efficient mechanized facility. We are continuing to review operating and maintenance reports from our present installations, and we plan to reexamine the logic design and improve some components as a result of our test experience.

8. *Accrued costs.*—The work performed under most research and development contracts runs over a period of more than 1 fiscal year. In some instances the scope is of such magnitude as to require several years for completion. The level of obligations incurred for this activity, is, therefore, not necessarily indicative of the level of the work actually performed. As shown by the following table, while obligations incurred are projected as varying substantially, the level of the cost of the work actually performed remains relatively constant from year to year.

[In thousands]

	1961 actual	1962 actual	1963 estimate
Obligations incurred	$14,490	$5,150	$11,615
Work on order, beginning of year (add)	12,124	15,692	9,092
Net adjustment to prior-year obligations (add)	778		
Work, on order, end of year (deduct)	−15,692	−9,092	−9,192
Costs incurred (work performed)	11,700	11,750	11,515

Regional Operation, Increase $501,000

Analysis of obligations

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions:								
Administration	2,401	2,373			2,373			
Finance	2,455	2,507			2,507			
Total	4,856	4,880			4,880			
Average compensation:								
Administration	$8,178	$8,520	$484	−$142	$8,628	$240	−$132	$108
Finance	6,068	6,132	47	17	6,202	70		70
Total	7,111	7,293	192	−10	7,382	154	−65	89
	In thousands							
Personnel compensation								
Administration	$19,636	$20,217	$823	−$242	$20,474	$570	−$313	$257
Finance	14,896	15,374	354	124	15,548	174		174
Total personnel compensation (11)	34,532	35,591	1,177	−118	36,022	744	−313	431
Personnel benefits:								
Health insurance	263	282	23	−4	284	3	−1	2
Group life insurance	113	116	4	−1	118	3	−1	2
Retirement fund contribution	2,163	2,222	74	−15	2,250	48	−20	28
Social security tax	12	12			13	2	−1	1
Total personnel benefits (12)	2,551	2,632	101	−20	2,665	56	−23	33
Travel and transportation of persons:								
Administration	1,600	2,045	248	197	2,081	36		36
Finance	71	91	12	8	92	1		1
Total travel, etc. (21)	1,671	2,136	260	205	2,173	37		37
Transportation of household goods and effects:								
Administration	25	30		5	30			
Finance	9	10		1	10			
Total household goods and effects (22)	34	40		6	40			
Adjusted losses (42)	98	100		2	100			
Total obligations	38,886	40,499	1,538	75	41,000	837	−336	501
Breakdown of obligations:								
Regional operation:								
Administration	22,709	23,789	1,140	−60	24,101	648	−336	312
Finance	16,177	16,710	398	135	16,899	189		189
Total obligations	38,886	40,499	1,538	75	41,000	837	−336	501
Increase over prior year	3,387	1,613			501			
Percent increase over prior year	9.5	4.1			1.2			

Regional Administration, Increase $312,000

Analysis of obligations

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		Total
			Mandatory items	Other costs		Mandatory items	Other costs	
Average number of positions	2,401	2,373			2,373			
Average compensation	$8,178	$8,520	$484	−$142	$8,628	$240	−$132	$108
	In thousands							
Personnel compensation (11)	$19,636	$20,217	$823	−$242	$20,474	$570	−$313	$257
Personnel benefits:								
Health insurance	149	160	15	−4	161	2	−1	1
Group life insurance	64	66	3	−1	67	2	−1	1
Retirement contribution	1,228	1,264	51	−15	1,280	36	−20	16
Social security tax	7	7			8	2	−1	1
Total personnel benefits (12)	1,448	1,497	69	−20	1,516	42	−23	19
Travel and transportation of persons (21)	1,600	2,045	248	197	2,081	36		36
Transportation of household goods and effects (22)	25	30		5	30			
Total obligations	22,709	23,789	1,140	−60	24,101	648	−336	312
Increase over prior year	1,978	1,080			312			
Percent increase over prior year	9.5	4.8			1.3			

Regional Finance, Increase, $189,000

Analysis of obligations

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		Total
			Mandatory items	Other costs		Mandatory items	Other costs	
Average number of positions	2,455	2,507			2,507			
Average compensation	$6,068	$6,132	$47	$17	$6,202	$70		$70
	In thousands							
Personnel compensation (11)	$14,896	$15,374	$354	$124	$15,548	$174		$174
Personnel benefits:								
Health insurance	114	122	8		123	1		1
Group life insurance	49	50	1		51	1		1
Retirement contribution	935	958	23		970	12		12
Social security tax	5	5			5			
Total personnel benefits (12)	1,103	1,135	32		1,149	14		14
Travel and transportation of persons (21)	71	91	12	8	92	1		1
Transportation of household goods and effects (22)	9	10		1	10			
Adjusted losses (42)	98	100		2	100			
Total obligations	16,177	16,710	398	135	16,899	189		189
Increase over prior year	1,409	533			189			
Percent increase over prior year	9.5	3.3			1.1			

JUSTIFICATION

General.—This estimate provides funds for the salary, travel, and related expenses of the 15 regional administration offices. These offices have the responsibility for all postal activity excepting only the top policy and planning functions reserved to headquarters in Washington.

Services rendered.—The regional administration offices direct post office operations in the field and have responsibility for all operations with the exception of Inspection Service work, Bureau of Facilities field installations, and specified matters reserved to headquarters. They maintain management controls on postal operations in the regions, provide guidance and specialized assistance to post offices and decide matters for which they are delegated authority, and direct performance of management and operating surveys in post offices. This involves the personnel administration of some 580,000 employees of the Post Office Department in addition to the management and administration of post office operations, industrial engineering, postal transportation, facilities, supply, motor vehicle operations, and the controllership responsibilities of payroll and financial management. The regional directors keep all elements of headquarters currently informed of significant developments in the field.

The duties and functions of the various divisions in the region are as follows:

Coordinated field staff (postal services officers).—These officers provide liaison, on a continuing basis, between the regional office and all post offices. They provide consultation and advice to postmasters on all postal activities, and review service activities. They analyze mail distribution, dispatch schedules, and star and rail routes, and recommend improvements. They also carry out special assignments for the regional office.

Personnel Division.—This office assists the regional director in administering the personnel management program in the region in accordance with policies and procedures promulgated by headquarters. They render personnel service to the regional office and maintain liaison with the Civil Service Commission. They give technical advice and assistance to postmasters, operating officials, and employees in the region on all matters involving recruitment, selection, and employment of personnel, training and development of employees, classification of positions, employee and labor relations, disciplinary actions and grievances, health and safety, and suggestions and incentive awards.

Postal Systems Division.—This office assists the regional director in development, installation, and analysis of post office procedures (including distribution procedures), methods, and work standards, utilizing industrial engineering and other analytical techniques. They study mail handling systems, production requirements, and procedures to effect better space and equipment utilization. They improve the processes of movement of mail within the region. They develop and maintain systems of work measurement and performance standards; analyze labor performance and causes for major variances in productivity; perform service analyses through selected test programs, and give leadership to the paper management programs within the region.

Local Services Division.—This office assists the regional director in determining organization and manpower needs of post offices and reviews local organizations of the postal service. They determine establishment needs of the postal service and make recommendations on the establishment and discontinuance of post offices and the merging of facilities. They determine collection and delivery, patron, vehicle, and other program service requirements of post offices, and furnish guidance to postmasters on operation of these services; and appraise performance. They also initiate requests for and make recommendations on mail handling space requirements.

Transportation Division.—This office assists the regional director in developing and maintaining an integrated regional pattern for transportation of mail of all classes, coordinating the regional patterns with national plans. They develop regional plans for transportation in coordination with national plans. They prepare schemes and schedules governing the distribution and dispatch of all regional mails. They negotiate for transportation of mail by railroads and insure its effective utilization. They procure transportation of mail by highway vehicles and insure its efficient utilization. They also insure efficient utilization of air transportation for mail movements.

Engineering and Facilities Division.—This office assists the regional director in administering construction, leasing, and maintenance programs; provides supply and equipment services; and maintains program controls within delegated

authority. They forecast, plan, and determine plant requirements. They design Federal building extensions and improvements, and leased facilities. They manage the real estate program, renewing leases, obtaining site options, and negotiating lease contracts, and also they inspect and accept construction. They provide building and equipment maintenance programs for Federal and leased facilities. They also provide Government vehicle maintenance guidance, training, and technical direction to post offices; analyze cost control reports; and determine replacement requirements.

Reorganization and realinement of functions.—During the past 10 months of the current administration, efforts have been directed toward strengthening the regional organization. As a part of the headquarters reorganization, the Office of Regional Management was relocated from the Bureau of Operations to the Office of the Deputy Postmaster General, placing the regions in a stronger position with relation to headquarters. They are now in direct line to the Office of the Deputy Postmaster General. A survey of the regional organization was made and, as a result, there will be a realinement of functions. Changes already made or proposed are:

1. Strengthening of the postal services officer staff. As representatives of the regional director they maintain daily contacts with postal installations in the field, and are his principal contact at the operating level. A training program has been developed and is now functioning whereby postal services officers are fully indoctrinated on all phases of postal operations for which they are responsible.

2. Establishment of the position of special assistant to regional director for employee relations in each region. This position will serve to improve management relations with employee organizations, thereby furthering the President's program for better employee-management relations, and also will be responsible for carrying out the fair employment practices programs.

3. Realinement of management of postal operational activities by placing postal systems in a separate division thereby placing greater emphasis on improving work techniques.

4. Combining real estate and engineering functions into one division to permit better coordination of activities which are closely related.

Through this regional reorganization, it is expected to reduce the number of employees by 48 in 1963.

Analysis of estimate.—As shown in the "Analysis of obligations" (pp. 15.1 and 15-2), the total increase for 1963 of $312,000 is comprised of the following:

1. Personnel compensation, increase, $257,000: There is no increase in employment requested for this activity in 1963. This increase in personnel compensation results from the carryover cost of filling vacancies, automatic step increases and longevity promotions partially offset by savings in positions reverted, a personnel turnover and an increase in leave without pay.

2. Personnel benefits, increase $19,000: This increase is due to the increase in personnel compensation which has a direct effect on this item.

3. Travel, increase $36,000: This increase is due to the estimated difference between the full-year cost of the per diem increase and the part-year cost in 1962. The increase in per diem rates from $12 to $16 is due to the enactment of Public Law 87–139, approved August 14, 1961.

4. The number of positions estimated for regional administration in 1963 have been reduced by 48. While the savings from this reduction will be offset by the full-year cost of vacancies filled in 1962, a real savings in personnel cost will accrue to future years because of this reduction.

Regional Finance

JUSTIFICATION

General.—The number of positions requested for the 15 regions under finance includes personnel for a well-rounded controllership function. The controller is the chief financial adviser to the regional director.

Service rendered.—In terms of staffing, about 80 percent of the finance personnel report through the accounting officer, and about half of these are engaged in maintaining the payroll, including the issuance of payroll checks to 580,000 employees on a biweekly basis. The settlement of transportation charges by airlines and railroads, the payment of rental and utility bills, and settlement of postmasters' accounts, occupy the time of another 20 percent of the personnel assigned.

The payment of payroll checks which approximate 15 million a year does not give adequate explanation of payroll operations. The accessions, separations, advancement in salary or leave category, and letters which must be written to answer inquiries about payroll payments will add another 40 percent to the number of transactions handled annually with respect to the payroll.

The payment of airmail charges involving a handling of upward of 10 million flight audit cards per year. Likewise, in the payment of rail charges there are five million punchcard transactions which must be summarized and audited before the checks can be drawn. To service the 40,000 Government-owned vehicles, some three-quarters of a million summarized documents must be examined and checked so that the claims from vendors can be settled. There are over 20,000 rental contracts which result in about 300,000 checks annually. In addition to the transactions outlined above, there are communication bills, utility bills, indemnity claims, highway truck claims, mail messenger claims, and travelers' claims, which give rise to about a million additional checks per year. In addition to the settlement of the various claims outlined above, the accounts of approximately 34,900 postmasters must be examined and reconciled with their bank deposits, stamp requisitions, postage meter settings, and stamped envelope transactions, which in turn result in an additional 10 million detailed accounting and statistical entries.

Modern electronic computers are used to facilitate recordkeeping, and procedural handbooks have been prepared covering all phases of accounting and clerical operations. Modern budgeting, cost accounting, and statistical analysis provide regional directors and headquarters of the Post Office Department with more timely and useful data on which to base management decisions. Emphasis is being placed on preparing current operating reports with key data for all levels of management. These reports contain workload productivity indexes, budgetary results, and interpretative comments for use at various levels of management.

Analysis of estimate.—As shown in the "Analysis of obligations" (pp. 15.1 and 15.3), the total increase for 1963 of $189,000 is comprised of the following:

1. Personnel compensation, increase $174,000: There is no increase in employment requested for this activity in 1963. This increase in personnel compensation results from the carryover cost of filling vacancies, automatic step increases and longevity promotions partially offset by a savings in personnel turnover.

2. Personnel benefits, increase $14,000: This increase is due to the increase in personnel compensation which has a direct effect on this item.

3. Travel, increase $1,000: This increase is due to the estimated difference between the full-year cost of the per diem increase in 1963 and the part-year cost in 1962. The increase in per diem rates from $12 to $16 is due to the enactment of Public Law 87–139, approved August 14, 1961.

BIOGRAPHIES OF NEW STAFF MEMBERS

Mr. BRAWLEY. We have two new members of our staff who will be addressing themselves to this subject, Mr. Chairman. The first is Mr. Thomason and the next is Mr. Murphy. If you desire they will insert their biographies in the record at this point.

Mr. GARY. We shall appreciate it if they will do so.

(The biographical sketches referred to follow:)

BIOGRAPHICAL SKETCH OF JAMES R. THOMASON

Mr. Thomason, formerly of Casper, Wyo., was appointed assistant to the Deputy Postmaster General in July 1961. He was educated in the public schools of Casper, Wyo.; was graduated in 1937 from Bradley University at Peoria, Ill.; took graduate studies from 1938 to 1941 at both American and Georgetown Universities in Washington, D.C.

While attending school he had been employed in the A. & P. Tea Co. from 1933 to 1937; in the Mountain States Power Co. at Casper as a statistical clerk, 1937; in the Wyoming National Bank at Casper as a bookkeeper from 1938 to 1939; as a document clerk, 1939 to 1940, in the Office of the Secretary of the U.S. Senate.

Since that time, he has served in the Government in various capacities as follows: U.S. Civil Service Commission, Philadelphia—field examiner and in-

vestigator, 1941 to 1943; U.S. Army—criminal investigation agent, 1943 to 1946; U.S. Civil Service Commission, Philadelphia—investigator and section chief, 1946 to 1948; U.S. Bureau of the Budget, Washington, D.C.—assistant security officer, 1949; budget examiner and principal examiner on various programs, including the Post Office Department, 1950 to 1961 (principal examiner for the Post Office Department 1952 to 1961); Post Office Department—consultant on organization and management, February to July 1961.

Mr. Thomason is also active in civic affairs. His activities include: Odd Fellows Lodge, Society for Advancement of Management (member and served as officer), Association of Former Civil Service Investigators, Criminal Investigation Agents Association, Toastmasters International.

He lives at 1211 Burketon Road, Hyattsville, Md.

BIOGRAPHICAL SKETCH OF RICHARD JAMES MURPHY

Mr. Murphy, Assistant Postmaster General, Bureau of Personnel, is a native of Baltimore, Md. His educational background includes public schools of Baltimore and Baltimore City College (high school); University of North Carolina, A.B. in economics, 1951; graduate student, 1952; and member of Phi Beta Kappa scholarship fraternity at North Carolina.

His background includes lectures for the Southern Bell Telephone executives training conference in 1959 and 1960, for the U.S. Army conference on recruitment of scientific and professional personnel at the Army Chemical Center (Edgewood, Md.) in 1958, and for the international student personnel seminar at Harvard in 1959.

His national work includes: Member, U.S. National Commission on UNESCO–United States; Department of State, 3-year term, 1950–53; national president, U.S. National Student Association, 1952–53; former president, Educational Travel, Inc.; chairman, student delegation, American Council on Education, 1953.

His professional and employment background also includes these highlights: Research assistant, Institute of Government, University of North Carolina, 1951–52; instructor, U.S. Army Ordnance School, Aberdeen Proving Ground, Md., 1954 (military); education specialist, Information and Education Center, Aberdeen, 1955 (military); executive director, young Democrat division, Democratic National Committee, 1956–61.

Mr. Murphy's background also includes extensive travel, having visited 275 college campuses, 42 States, as well as many oversea countries. He is a military veteran, having served in the U.S. Army from 1953–55.

GENERAL STATEMENT

HEADQUARTERS REORGANIZATION

Mr. BRAWLEY. First, a general summary on executive direction. There are two areas where we have been concentrating in the past few months. The first is the reorganization of headquarters. The reorganization was accomplished, as the Postmaster General said yesterday, by a team of Government experts, not outside consultants. We used the Bureau of the Budget, the Bureau of Standards, experts from HEW, the Department of Veterans' Administration as a team to study the various subjects under reorganization. We think we have accomplished a streamlined organization. It affected first the moving of the regional office into the Deputy's shop to give it overall direction from the Postmaster General's Office and the Deputy's Office.

Then the second phase of the reorganization concerned itself with the Bureau of Operations, Bureau of Transportation, and the Bureau of Facilities.

Mr. Thomason will go more into detail on that subject, and also we have been concentrating in the automatic data processing field. We have accomplished some things in this field already but we have high hopes for greater accomplishment there in the next 12, 18 months, and 2 years.

I would like now to turn this discussion over to Mr. Thomason and let him go into more detail on these subjects.

Mr. GARY. Very well, Mr. Thomason.

Mr. THOMASON. I would like to make a few general comments about what we hope to accomplish as a result of our reorganization of headquarters. I will be very glad to present to you the new organizational charts which describe in detail the way the Department is organized in headquarters at this time.

We have clarified the mission of each of the Bureaus and eliminated duplication of functions. To give you one example, we found that both the Bureau of Facilities and the Bureau of Operations had responsibilities for the maintenance functions of facilities and vehicles. Both of them were, in a sense, getting into each other's activities.

As a result of our new organization, we have placed the responsibility for maintenance in the Bureau of Facilities.

We have consolidated like functions for more effective programing and management. We have realined the organization and staffing of the Bureaus to reflect new policies and program priorities.

Again, I shall use the maintenance area as one of the important areas which we feel was overlooked previously. With the large scale mechanization, the many new buildings, and the additional vehicles we have been acquiring, we must have a strong maintenance program. We are giving new impetus to this area.

Mr. GARY. You had some consolidation insofar as transportation is concerned?

Mr. THOMASON. Very definitely. This was another area which——

Mr. GARY. If I am ahead of you please proceed. I do not want to interrupt your presentation.

Mr. THOMASON. I shall be glad to comment on that. The transportation area was another area where the work was scattered between two bureaus. The Bureau of Transportation as it existed was very weak and ineffectual. The changes we made, as a result of our studies, bring to transportation the functions which will enable that Bureau to provide leadership in establishing policy. We believe this Bureau will provide overall guidance to the Department's transportation program, and with strong leadership it now has, make it possible for us to do a much more effective job.

As you look at the organizational charts, of which I have several copies for you to review, I think you will see in more detail what we have in mind there.

Mr. GARY. There was some opposition to that from the transportation employees.

Are they now satisfied with the change?

Mr. THOMASON. By doing what we have done in the Bureau of Transportation we have been able to give to the employees you have mentioned a place where they can look for leadership which they did not have in the past. It has identified the transportation area in such a way that they know who is the one setting the policy.

Mr. BRAWLEY. Off the record.

(Discussion held off the record.)

Mr. THOMASON. I would like to identify for you the organizational components of the various bureaus. The Bureau of Operations now is set up under two Deputy Assistant Postmaster Generals. Each Deputy Assistant Postmaster General has an area for which he has

responsibility. One Deputy Assistant Postmaster General has under him the area of classification and special services, which includes mail collection. He also has customer relations.

This program, I think, will be described in somewhat more detail later on when Mr. Belen discusses his operations with you, but it is one of the areas to which we have given greater emphasis as a result of our new programing.

We have consolidated into one division the Postmaster's and Rural Appointments Division.

The other Deputy Assistant Postmaster General has responsibility for the Distribution and Delivery Division. This includes such areas as the vehicle utilization branch, the delivery services branch, and the development of modern distribution procedures.

He also has responsibility for the Space Mechanization Requirements Division which is a very important activity in the new postal service.

Then we are giving a great deal of attention to such things as work measurement and better organization within the post offices, and we have established this function in an Installations and Management Division.

The Bureau of Transportation we believe has been streamlined, and at the same time has developed into a much more effective organization. We have combined all of the domestic transportation functions within a single division. This includes the responsibility for air, highway, rail, and the mail equipment transportation branch. Each of these are branches.

We have also established a Division of Distribution and Routing under this same Deputy Assistant Postmaster General.

We have set up under the second Deputy an International Service Division and a Research and Development Division. The functions of each of these divisions is to be given additional emphasis to strengthen the activities of the Bureau of Transportation.

The Bureau of Facilities has been set up with a Realty Division which includes an acquisition branch and a planning branch. The revitalized Maintenance Division, which I previonsly mentioned, is divided into three branches, an operating equipment branch, buildings branch, vehicles branch, and a branch which will be conducting liaison with the General Services Administration.

We have reorganized the Procurement Division. It includes a mail bag equipment branch, a contract branch, and an inventory and distribution branch.

The Bureau of Finance also has been reorganized. I will not go into detail on this as I am sure Mr. Nicholson will give you a full accounting of how his organization will operate. This includes, however, a much stronger emphasis upon the statistical programs of the Department. A statistical programs officer will head up the activity which will also include the present Cost Analysis and Cost Ascertainment Divisions.

The Bureau of Finances organization continues the Assistant Controller for Budget, under Mr. Bruce, the Assistant Controller for Accounting, the Director of Postal Rates, and the Finance Officer.

I should be glad to answer any specific questions on these.

Mr. GARY. We at times feel a sense of frustration here on our committees because we hear of all these reorganizations and streamlining, and yet the cost continues to rise.

INCREASES REQUESTED FOR HEADQUARTERS AND RESEARCH

For example, you are reorganizing and you are still asking for $9,194,000 more for 1963 than you had for the fiscal year 1962.

Can you tell us the basis of that increase?

Mr. THOMASON. Yes, I can. I think it is brought out in a few major items.

The biggest single increase is in the contract research and development program. I believe $6½ million of this increase is involved here.

Mr. Harriman later on will want to give you the details.

We are also asking for increases in the research and engineering functions of the Department, where we are asking for 106 new jobs. This comprises most of the increase requested.

I believe, after you have heard the reasons, you will look with favor upon what we intend to do.

In summary, we are asking for a total of only 114 new employees, plus their support costs which include transportation and moving expenses, and the cost of the contract research and engineering program.

NEW EMPLOYEES

Mr. GARY. If you are streamlining why do you need new employees? Have you cut down any employees through the streamlining operations at all?

Mr. THOMASON. We did two things when we made this study at the Department. We found that in the various Bureaus some of the functions had long since outlived their usefulness and that there were people who were surplus.

At the same time we found that we had other areas which needed to be improved; for example, using again the new maintenance program where we were doing nothing, we needed people to have an effective program. We believe by making an investment in qualified staff, we will be able to save money down the line in the post offices. The few people we are asking for here will pay great dividends later on at the post office level.

I think it was mentioned yesterday that we hope to achieve a 1.2 increase in productivity, which is perhaps one of the highest the Department ever has been called upon to achieve.

The only way we can do this sort of thing is through having the right kind of people and the right kind of equipment to enable us to accomplish these objectives. We are investing in the future when we invest in engineering and in research. That is where most of the people we are asking for will be used.

What we will be able to do in 5 years from now, to a great extent, will be determined by what we do today in these areas.

It is true we found we had excess people, but you will notice we are not asking for any people in other areas. We have sort of an Operation Bootstrap here. We are trying to eliminate the people who are not being used profitably and to use the money to acquire other staff who can help us in these program areas.

ALLOCATION OF NEW EMPLOYEES

Mr. GARY. Can you give us a statement as to just how these employees will be allocated?

Mr. THOMASON. I believe Mr. Harriman can give you that.

Mr. BRAWLEY. The total of the 114 are for research and engineering?

Mr. GARY. I mean the total in this item comprising this $9 million increase over 1962. I want to know how many are allocated to administration, how many are allocated to regional operation, and how many to research.

Mr. THOMASON. I can do that.

Mr. GARY. This also shows a reorganization of the regional setups and that is included here?

Mr. THOMASON. Included in the total increase of 66 positions.

Mr. GARY. That is what I meant.

Mr. THOMASON. Sixty-six positions.

One hundred and six will go to the Research and Engineering Division, six to the Bureau of Personnel, and two to the General Counsel's office. These increases are partially offset by a decline of some 48 people in our regional operations for a net increase of 66.

REDUCTION IN REGIONAL PERSONNEL

Mr. GARY. That is the object of my inquiry. I was told you would eliminate some positions.

Mr. THOMASON. Even though the reorganization becomes effective today, we are counting our chickens perhaps before we have hatched them because we expect to eliminate these 48 people.

Mr. GARY. I was told there would be eliminations of positions in the regional offices. That is why I wanted the complete setup.

Mr. THOMASON. At the same time, we are establishing new programs within the regions which will call for additional positions; for example, the new job of the Special Assistant for Employee Relations, which we have never had before. Despite that there will still be a decline of 48 positions in the regions.

POLICY CHANGES

Mr. GARY. General Day, in his statement, mentioned several policy changes made at the Washington level. Will you elaborate on those which have not already been covered by the general, any policy changes which have been made? They start on page 3. First is the improved personnel policies, second an established policy of genuine cooperation, and so on.

Mr. THOMASON. I can and I would be happy to. We have with us Mr. Murphy, who is our top man on personnel.

Mr. GARY. We just want it in the record. You can call on any member of your staff to outline the various policies and discuss them. I would like to get an elaboration of the policy changes at one place in the record.

Mr. THOMASON. We are prepared to give you that, sir.

PERSONNEL POLICY CHANGES

Mr. MURPHY. I shall give you major changes in the personnel area.

Mr. GARY. Fine.

Mr. MURPHY. There are about four basic areas in which we have either changed policy or else we have given a greater emphasis to existing policy.

First is in the employee relations area, where we have attempted to have a very different aprpoach from that used by the preceding administration.

We have attempted to have what Mr. Day has referred to as an open door policy of being available for consultation at any and all times with our employees' organizations on any problems affecting their membership. This includes the rank-and-file organizations as well as the supervisory organizations.

In actual practice, it has in my estimation, moved beyond that to a concept of consultative management in the sense that we have not adopted, since we have been in office, a major policy of concern to our employee organizations which has not first been discussed with our employee groups before the decision was put into effect.

I think in most every case the final product which has emerged has been slightly altered in some way to take care of points raised by our employee groups, and to accommodate in some degree some valid points of theirs.

In addition we have greatly stepped up and increased the nondiscrimination program, the program of the President's Committee on Equal Employment Opportunity of which Vice President Johnson is Chairman.

Mr. GARY. I hope that will work. I notice in the general statement you have announced a clear-cut policy forbidding discrimination on the basis of race, creed, color, or national origin in hiring and promotions in the postal service. I hope that will also apply in firings.

Mr. MURPHY. Yes, sir.

Mr. GARY. Personally I was very much upset by incidents which occurred not long ago when a man who was clearly not fit to be in the service was retained because an outside organization, of which he was apparently a member, raised the question of discrimination and in the final action there was discrimination but in his favor. Personally I was very sorry to see this.

I hope in the future the policy will be to avoid discrimination of that nature. We are getting to the point now where we are bending over so far backward we are discriminating against the majorities and in favor of minorities.

I believe in the protection of minorities. The Constitution requires it. However, I certainly do not believe in discrimination in their favor. It seems to me we are rapidly getting to that point. I hope that will be borne in mind.

Mr. MURPHY. If I might comment on that, that is our policy, to treat people equally not only in employment but also insofar as firing is concerned.

In the specific case you mention I might comment that there was a hearing board involved in the case. The hearing board voted two to one that the man involved should be reinstated with a reprimand. The most serious charge, of the five charges listed against the individual, happened to be over 2 years old, and under our postal regulations, while the man admitted to the charge, it was over 2 years

old and therefore could not be used. This is one of the reasons that the board gave and that the Postmaster General had in mind when the man was reinstated with a severe reprimand.

Mr. GARY. I am glad there was at least some excuse for it. I do not think there was a reason but I am glad there was an excuse for it.

Mr. ALEXANDER. Do you mean to say that if a man came up and admitted he stole money 2 years ago that now this would not be a basis for firing him?

Mr. MURPHY. Sir, it depends on whether it is a violation of Federal law or not. There is a statute of limitations involving violations of Federal law.

This was a violation of a postal regulation, of what we consider ethical conduct. We have a 2-year rule in the postal service which has been there for some time which states any charge over 2 years old may not be used against an employee in a formal proceeding.

Mr. BRAWLEY. To further amplify that, the major point we missed here is that this charge was involved in court action in the local courts and was thrown out. This we did not discover until later.

Mr. GARY. The whole thing looked bad in the press. I make it a policy not to criticize from what I see in the press because sometimes those stories are garbled. That is another reason I say what I do. It certainly created a bad impression throughout the entire United States. I think the incident was most unfortunate insofar as the Department was concerned, and I know that you deplored it as much as anybody else. That is the reason I am giving you an opportunity to put in now any extenuating circumstances which might have existed.

I do think we should bear in mind, however, that nondiscrimination should work both ways. Certainly the policy of nondiscrimination should not serve as a protection either for the majority or the minority to violate the laws, rules, and regulations governing the Department and not suffer the consequences.

Mr. MURPHY. Every member of the top staff would agree with that statement, Mr. Chairman. Certainly it is not the policy of the Department to conduct its hearings in the public press. We have 20 cases a week, any number of which have the same potential for press attention. It always has been the policy of the Department never to release charges against an employee publicly unless the employee himself releases these charges, which is exactly what happened in this case. We regretted the publicity as much as anybody else.

Mr. MILLIKEN. Would that not in itself be a breaking of the postal regulations?

Mr. MURPHY. We consider it to be in bad taste. There is no specific regulation against it but certainly in our minds it is to be deplored if that sort of tactic is used.

I might pick up where I left off.

Mr. GARY. Please proceed.

EMPLOYMENT OF NEGROES

Mr. MURPHY. This is of major concern. As I point out, the Post Office Department is perhaps the largest employer of minority groups in the world. Certainly that is true of members of the Negro race. We have 85,000 Negro employees employed in the postal service.

Therefore it is a major concern to us to assure fair treatment, especially in regard to promotions as well as in hiring. I think the Post Office does very well insofar as its hiring policies are concerned.

SUPERVISORY PROMOTIONS ON MERIT

There is a question in my mind as to how diligent we have been in the past in assuring equal opportunity for supervisory promotions. We are attempting to correct that with ever resource we have and to carry out the policies of the President and the Vice President in this regard.

In addition we have tried a new approach which I am told by Civil Service columnists and others, is revolutionary in the postal service. We have attempted to evolve a genuine merit plan which takes into consideration a promotion board for the first time and which attempts to put promotions not only to the first level of supervision but above that on a strictly merit basis, and to remove them from a highly charged political basis which we found existed in the past and which we felt was detrimental to the service in terms of efficiency, in terms of our efforts to try to hold down costs, and especially in terms of our efforts to try to get along fairly with our employee organizations, because we find the major complaint of employee organizations is in regard to supervision. Therefore we felt an absolute necessity to try to upgrade the method of selecting our supervisors in the post offices.

To that extent we have attempted to broaden the number of people brought into the procedure of selecting people qualified for supervisory positions in the office.

The Postmaster has a board to help advise him on these matters. We have also brought the regional offices into play on promotions above level 7, and we think we have made a very good start toward a genuine merit promotion policy in the Post Office.

We hope this will result in later savings and increased efficiency and economy and certainly fewer complaints in regard to supervision from employee organizations.

PERCENTAGE OF NEGROES IN POSTAL SERVICE

Mr. PASSMAN. You mentioned 85,000 colored people in the postal service. What percentage of the total is that number?

Mr. MURPHY. 16 or 17 percent.

NEGRO POSTMASTERS

Mr. PASSMAN. As it would apply to postmasterships, what percentage of those are colored?

Mr. MURPHY. I think only three or four. I think it is three in the entire United States, two of which were appointed by this administration.

Mr. PASSMAN. Only three colored people who are postmasters?

Mr. MURPHY. Yes, one in Pacoima, Calif., one in Magazine, Ala. I hasten to add we do not keep records by race and therefore these figures are difficult to come by——

Mr. PASSMAN. Add one more to your figures. You have one colored postmaster in my district.

Mr. MURPHY. I am happy to have that information. Frequently we are asked about this.

Mr. GARY. In my old district they had one. This was in one of the counties which subsequently was taken away from me under redistricting. He lived in a colored area and it was a colored postmaster who served the area.

Mr. MURPHY. I am happy to have that information. It is difficult to get this information because we do not keep records in this fashion, and therefore we have to get it through personal knowledge, personal contact, and what have you.

Mr. CONTE. The regional directors must know all their people.

Mr. MURPHY. They are very helpful in this regard and they are a principal source of information. We also have to be somewhat careful about how we inquire about these things because there is a lot of personal feeling involved and there has been a feeling in the past, especially among members of minority groups, that we should not even ask for this sort of information even when the purpose of the information is to be helpful in a situation; therefore this is a delicate matter which has to be handled carefully.

SPECIAL ASSISTANT FOR EMPLOYEE RELATIONS

In addition we have created a special assistant for employee relations. This never existed before. It is the one major addition we have made in the personnel area in the regions.

The reason for that briefly is that the postal service is unique in Government service in that 84 percent of our employees belong to employee organizations, which is by far the highest percentage in the Federal Government. There is nothing comparable to it in any other Federal agency. The overall average for all Federal agencies is 33 percent, including the Post Office. If you take away the Post Office, union organization, or membership in employee associations outside the Post Office in all other Federal agencies, it is 16 percent.

In most agencies it averages 5 percent, and in certain large departments of the Federal Government, the State Department, for example, had eleven members who belonged to employee organizations. I mention these facts because it does mean we have to give a great deal more attention to the importance of dealing with employee organizations than many other Government agencies because we have a great tradition of having employee organizations in the postal service. We think they can be very helpful in the management of the postal service and we do not think their full resources have been utilized fully in the past. Our policies are aimed at trying to develop those resources at this time.

NEW GRIEVANCE AND APPEAL PROCEDURE

In addition we have now created a new grievance and appeal procedure which will go into effect in about 30 days. We are there attempting to get away from the Postmaster General and the Assistant Postmaster General having to handle every single case in the postal service.

Here we have a service with more employees than were perhaps in the Union Army, in the War Between the States, and yet every single case that comes forward has to be heard either by the Postmaster General or the Assistant Postmaster General.

Consequently, we get as many as 20 of these cases a week. We are anxious to do full justice to each individual involved, since, of course, this involves his livelihood. The Postmaster General and I have to read these cases, and the file goes up to 100 pages sometimes. It is an insuperable problem for us. We have attempted to come up with a new grievance procedure, which has been thoroughly worked out with all employee organizations, and to give them a greater confidence that proceedings will be fair, and to expedite business and take a terrific load off of the staff.

NEW CAREER DEVELOPMENT PROGRAM

We have also initiated a new career development program and a new management internship program for the first time in the postal service in which we have attempted to take 30 bright, fairly young people in the postal service who offer great promise, to select them for special training in the hope that these people, through an intensive program of training in all of the bureaus and in the regional offices of the Department, will be put into a position for further advancement at a later date where they will rise to some of the top positions within the postal service. We have selected our people in the first year from our career people, by and large.

Mr. CONTE. Mr. Chairman.

Mr. GARY. Mr. Conte.

Mr. CONTE. How did you select these 30?

Mr. MURPHY. These people were selected in this manner. First, they had to have a basic score of 80 on the Federal service entrance examination if they had taken that. We reviewed all of the existing registers wherever that had occurred. We had a board that selected these people, in conjunction with the regional directors, and finally with the personal approval of the Deputy Postmaster General himself.

We think that the people we have are pretty representative of the very best we have to offer within the postal service. We tried to establish this initial round of interns from among career people in the postal service, giving them first preference, going outside only when we found we did not have people meeting the standards we set up. This program was worked out with all employee groups beforehand.

Mr. CONTE. Do you train them in Washington?

Mr. MURPHY. Yes, they are brought to Washington. Some are brought to the regions initially and then are put into all divisions of the regions and later brought into the Department. The people starting out in the Department will get training in all the bureaus of the Department, will later go to the regions, to individual post offices, to see how things will operate.

Mr. CONTE. What is the period of internship?

Mr. MURPHY. Two years. After that, we reevaluate their particular progress to find out if they are eligible at that time for further consideration for advancement.

Mr. CONTE. Have you posted this notice in post offices?

Mr. MURPHY. Yes, sir. This has been made known through our supervisory organization. We have advertised it through their magazines to get the information out. We found that not too many people in the postal service had taken the Federal service entrance examination. Therefore, we urged our people, in order to be considered for selection, in the next year go-round, to take that examination and see if they cannot qualify on that score.

CODE OF ETHICS

In addition to that, we have been very active in promoting a new code of ethics for the Department, in which we have attempted to get together into one pamphlet our concept of appropriate ethical conduct for all postal employees, to have this printed, to have it thoroughly discussed with all our union organizations, and distributed to every single member of the postal service.

ACCEPTANCE OF GIFTS

We have established this year, for example, for the first time a very strict rule on the acceptance of gifts in the Department. A letter was sent to all unions ahead of time, all employee groups, contractors, and others, saying that while we appreciated very much the kind of greetings and other emoluments that had come the way of the postal service in the past, we hoped that this year they would not honor us by sending us gifts and other things, but would simply exchange greetings. This year any gifts coming to the Department for employees were returned to the sender.

CODE ON CONFLICT OF INTEREST

In addition, we have put out a fairly strict code on conflict of interest in which we have attempted to eliminate any type of private employment that might be in any way in conflict with duties of postal employment. We recognize that many of our postal employees have second jobs on the outside. We have no objection to that whatsoever so long as the nature of the employment does not conflict with their duties in the postal service.

In addition, of course, my Bureau has been particularly active working on the new pay proposals for the coming year. This has been one of our major projects this year, a survey of pay conditions in postal service as related to those in private employment. We have had an integral part in helping to formulate the new pay proposals of the administration as regards postal employees.

Those are some of the major highlights of our program. I think it does reflect one thing, that there has been a major change in emphasis in the Department on the Bureau of Personnel. Before it was primarily a recordkeeping, transaction type organization. It now has become a major policy sector of the Postmaster General and the Deputy Postmaster General.

I think that that is a major accomplishment for the year. Thank you, sir.

Mr. PASSMAN. Mr. Chairman.

Mr. GARY. Mr. Passman.

Mr. PASSMAN. What is the basis for eliminating gifts? I can understand the reason, of course, if you have some record to back up the fact that there has been persuasion or dishonesty in the past as a result of such practices.

Mr. MURPHY. It is very difficult, and it was for that reason that the Postmaster General and the Deputy Postmaster General, well in advance of the Christmas season, which is a gift giving season, decided—it is very hard to draw a line between what is proper and what is improper in the way of receiving gifts from friends and other people who do business with the Post Office Department or who have some particular interest in the Post Office Department which could be affected one way or another by a decision that top staff people would make—therefore, it was decided that the only way to handle it is simply to ask people to refrain from doing it and to, in a courteous and nice fashion, return anything we receive along that line.

Mr. PASSMAN. Did that practice work from the top to the bottom?

Mr. MURPHY. It worked in the Department and in the regions at areas we clearly saw as the top. We did not put out a specific provision, for example, regarding letter carriers although we hope that the spirit of this directive will be followed, but we did not want to go out and make a big case and say that no letter carrier can receive a present from a patron or anything of that sort. We do object, and we did make very clear that we objected, to any kind of solicitation of gifts by employees either at the letter carrier level or clerk level. Our major concern is with the top policy formulating people in the Department, that this not be done.

Mr. GARY. Our letter carrier did not violate the rule when he accepted a necktie from Mrs. Gary; is that right?

Mr. MURPHY. No, sir. I am sure he was most grateful for receiving it, and we are only too happy to see him receive that. We do object, and occasionally we do have a few isolated instances where letter carriers may actively solicit gifts from a patron. We find that is not proper and have heavily discouraged that. We have not put out any general prohibition.

Mr. GARY. That is absolutely true. I know that it is customary at our house to have a necktie or some inexpensive rememberance for the milkman and for the mailman. Of course, that could not in any sense be considered as a bribe because it would not affect the service in any way.

Mr. PASSMAN. I have always thought a person was either honest or dishonest. I cannot see why the policy at any level would be: "Don't tempt me; if you give me enough, I may be for sale." This matter of giving a token of appreciation around the holidays to friends is a gesture of good will to the recipient and a source of genuine pleasure to the donor. I do not regard this type of gift giving or receiving as a matter of personal or selfish influence, one way or the other.

Mr. GARY. It is a problem.

Mr. PILLION. It depends on the spirit of the person who is giving it and the one receiving it.

Mr. NICHOLSON. I am sure there is no concern that members of the Department would indeed adopt some policy or make a decision influenced by the gift. However, the fact is that others who might be aware of the gift exchange might put some implications into it that did not exist. It is the appearance of possible influence that is sensitive, and when the general public feels that there may be this chance of influence, it casts discredit upon the Department as a whole. It is for that reason that the policy of no gifts seems to be desirable, to avoid any appearance of influence.

CHANGES IN DEPARTMENT OF RESEARCH AND ENGINEERING

Mr. GARY. Mr. Murphy, we thank you very much for that statement. I think you have covered it very satisfactorily. There are some other policy changes mentioned by the Postmaster General. One was in the Department of Research and Engineering. Would you like to take up those?

Mr. THOMASON. I think Mr. Harriman would speak to that.

Mr. HARRIMAN. I am Ed Harriman, Director of Research and Engineering. The major policy change there could be simply summarized by saying the O.R. & E. teamwork of the department headquarters has clearly shown through in our very excellent relations with all the other bureaus and offices that are taking place. Instead of carrying out any particular mechanization or study or engineering or research and development project for the sake of it in its own being, we do it in cooperation and in coordination with all of the other bureaus and offices involved.

A new policy of having an economic evaluation of any of the major facilities that are going in, not mechanization for mechanization's sake, but it must clearly demonstrate, if it is going into an operating post office, that it is an economically justifiable thing on its own two feet.

This is the major change. I have a detailed breakdown this afternoon that I will go into in terms of people and programs, but I think the cooperative membership is the thing referred to.

NIMS PROGRAM

Mr. GARY. We are dealing with the policy changes. The third he mentioned was the nationwide improved mail service, NIMS program.

Mr. BRAWLEY. There are several major policy changes which fall in Mr. Belen's shop in the Bureau of Operations. Would you like us to direct ourselves to those changes or would you rather wait for Mr. Belen?

Mr. GARY. We will wait for Mr. Belen. I want to cover any of them we will not cover otherwise.

STAFF CONFERENCE BREAKFAST

Mr. BRAWLEY. There are two other areas we would like to touch on in the Deputy's shop and the Postmaster General's shop. We should mention a staff conference once a week for breakfast.

Mr. GARY. Is that under the program and management functions of the 15 regional offices?

Mr. BRAWLEY. No; this is headquarters staff, a staff conference beginning at 7:30, where we have breakfast together and discuss for 2 or 2½ or 3 hours the problems each week.

TELEPHONE CONFERENCE

Following that up—this may get into regional operations somewhat—we have a telephone conference, the breakfast conference is on Tuesday, the telephone conference is with the regions on Wednesday afternoon.

We have been working with the telephone company to resolve the technical problems of a conference of this magnitude which has been more difficult than we originally thought. The conference includes the top staff of all the 15 regions and headquarters and lasts about an hour and a half. Headquarters staff from each region in effect get around the table and discusses our mutual problems and any emergency problems that come up in the field.

Mr. GARY. How often is that held?

Mr. BRAWLEY. This is held once a week regularly on Wednesday afternoon. It is set up in such a way that we can do it on an emergency basis most any time we need it. It has been very helpful to us in bringing regional offices into closer contact and letting them help us make policy and give us first-hand information as to what is actually going on in the field.

Mr. MURPHY. There are two other brief points I would like to mention which I neglected.

Mr. GARY. Proceed.

ORIENTATION PROGRAM FOR NEW POSTMASTERS

Mr. MURPHY. In regard to the changes of policies which overlap between my bureau and Mr. Belen's operation, let me say this. First is the orientation program of new postmasters in which we have attempted to reorient our training program to give added emphasis to supervisory training and to postmaster training. We have never had a formal servicewide program of orientation or training for postmasters in the postal service before.

We have developed a comprehensive program which we are rather proud of for training new postmasters who are just taking over their duties. This involves regional officials; it involves another fellow postmaster of a comparable size office in the immediate area who has done what we consider to be an outstanding or above average job that could be of use to the new postmaster. This takes place over a period of several weeks with the new postmaster going to the existing post office of comparable size or that postmaster visiting the new postmaster.

We find that we have gotten terrific response from the 2,000 postmasters that have gone through this training program to date. In addition, we are highlighting our supervisory training programs. We are going to give a lot more training to firstline supervisors and to middle management. This is especially important in implementing the President's new report of the Task Force on Employee Management Relations in the Federal Service, which incidentally, Congressman, will be implemented by Executive order to be signed by the

President tomorrow at the White House, which will carry out the major recommendations of the Goldberg Committee, the Committee on which Mr. Day and myself also served as members.

This will require a great deal of training and orientation in the post offices themselves because it is going to require postmasters and other local officials to deal with employee groups on a regular day-to-day and week-to-week basis.

SAFETY PROGRAM

In addition to that, we have also tried to highlight and give new emphasis to our safety program. We were, frankly, somewhat appalled to take a look at the safety record of our Department. In the area of motor vehicles I think we can be somewhat proud of the fact that it has been improving for the last 4 years. We are very pleased with it although the accident frequency is still too high. We have put major emphasis on this particular program. However, motor vehicle accidents account for only 5 percent of the total number of accidents in the postal service.

MAJOR ACCIDENTS

Major accidents are of an industrial nature such as slips and falls and lifting, and things of that sort. Frankly, our experience in this regard has not at all been good. While the overall average for the Federal Government has been declining consistently from 1945 on, the postal service has been rising from 1945 on. This is just an inverse relationship. This has given us a terrific concern. As a result, the Postmaster General and Mr. Brawley at the weekly telephone conference which Mr. Brawley mentioned have given this the major item of importance every week. There is the latest flash report on safety conditions, the latest report from the regions, and the regional directors are asked to explain the reason for the performance of a particular region.

In addition to that, we have notified all postmasters that henceforth one of the items upon which they will be evaluated will be their safety program. This is made a specific item of investigation, and they will have to explain to us the record of their particular post office over the year in this regard.

ON-THE-JOB TRAINING

We have also developed a new program of on-the-job training for safety and, in addition, we have asked for an increase in our budget this year for materials from the National Safety Council, increase in training for prevention of industrial accidents. That is where our record is the worst.

FIRES IN POST OFFICES

Also, we have been somewhat dismayed by the increase in fires in the post offices. We have had once again this past fiscal year an increase in the number of fires occurring in post offices. This has been an item of major concern and will be one of the major areas given attention in

the safety program next year. We are now requiring that post offices be inspected more frequently by fire marshals. We are asking in some cases that we get the top fire officer in the local community to come personally to the post office to make these inspections.

In addition to that, we are requiring that reports be sent to the regional office on any deficiencies found, not only to the postmaster, and expect the directors to ask the postmaster to correct these within the stated period of time and if he cannot do it, why has he not done it. We hope through these measures and through the attention from the Postmaster General and Mr. Brawley, repeated each week, to try to make some dent and to reverse this trend in the industrial accident field and in the area of fires.

Mr. PILLION. How much are your losses from fire annually?

Mr. MURPHY. In fiscal 1961 the total was $241,000.

Mr. PILLION. That is pretty picayune. You do not want to make a big deal out of it and spend a million dollars to reduce fires by $10,000, which I find is happening in many areas.

Mr. MURPHY. We are not making a great expenditure in this regard. We are going to devote a lot more attention to inspections and correcting deficiencies. We do not advocate the increase of a single person for this purpose. We want to make use of the existing local people.

Mr. PASSMAN. How many actual fires have occurred in the post offices?

Mr. MURPHY. 680 minor and major, most of a fairly minor amount.

Mr. PASSMAN. Was there any loss of mail in any of these fires?

Mr. MURPHY. There was some. I do not have an exact count. There was some involved in this.

Mr. GARY. These inspections you refer to will be made by the local fire department?

Mr. MURPHY. The local fire marshals.

Mr. GARY. In the locality. You will ask them to come in and make a more careful inspection?

Mr. MURPHY. Do it twice a year.

Mr. GARY. That would seem to me to be a very proper precaution.

Mr. MILLIKEN. How many post offices are there?

Mr. MURPHY. 35,000.

Mr. MILLIKEN. How many fires?

Mr. MURPHY. 680.

Mr. MILLIKEN. Out of 35,000?

ACCIDENTS IN POST OFFICES

Mr. MURPHY. Yes. I think in the area of industrial accidents our experience is much greater and the cost is much greater. We had an accrued medical and compensation cost this past fiscal year of over $9 million. When you add in personnel replacement costs, lost production time, equipment losses, tort claim losses, and others, it accrues to $24 million. That is all the future cost counted in.

LABOR UNIONS

Mr. PILLION. With respect to your relations with the labor unions, are the supervisory staffs also members of the unions?

Mr. MURPHY. Yes, sir; they have their own particular organization, the National Association of Postal Supervisors. It has approximately 28,000 members in the country. They have national offices here in Washington, D.C.

Mr. PILLION. That differs a little from the ordinary labor unions where foremen are not recognized and supervisory management is not part of any labor union that has recognition under our national labor relations laws.

Mr. MURPHY. One brief comment there. The recommendation of the President's task force in this regard was that any organization which has among its membership supervisory personnel should not be recognized as a labor organization or there should be a separate organization formed for supervisory personnel.

In other words, the recommendation of the President's task force was that we ought not to have unions that mix supervisory and rank and file personnel in the same union, that there ought to be recognition of supervisory units. Therefore, the National Association of Postal Supervisors would be recognized because they are made up exclusively of postal supervisory people.

Mr. PILLION. Do I understand there is a recommendation from this group headed by Mr. Goldberg that will provide for recognition of unions?

Mr. MURPHY. Yes, sir; that is correct.

Mr. PILLION. Mr. Chairman, there is a recommendation that labor unions be recognized in the Post Office Department. That is quite a radical departure from the past, is it not?

Mr. MURPHY. I think it is a change in emphasis. Actually, I do not think anything in the report of the Goldberg committee in any way recommends anything that is not already in existence in one Federal agency or another.

For example, we have adopted the policy of recognizing our postal unions and, of course, they have been dealt with for many years before that on an informal basis or a formal basis, depending upon the degree of interest and attention given by the agency head to this problem. So that what the Goldberg committee recommends and what the President will sign into an Executive order is that agency heads will as a matter of Presidential or executive policy deal with existing employee organizations insofar as consultation about employee problems or problems relating to employees is concerned.

There is no implication of the right to strike or anything of that sort. That is made very clear, that any organization which advocates the right to strike against the Federal Government would not be recognized or if it is in any way dominated by Communist influence or under any corrupt influence, they would have no recognition, but those legitimate organizations that do exist or any that may be formed by employee groups are entitled to recognition under a three-step pattern set forth. One calls for exclusive recognition, in which case employees within a given——

Mr. PILLION. Is that closed shop?

Mr. MURPHY. No, sir; we say specifically the closed shop is inappropriate for the Federal service. The report says this. It says it is inappropriate to have a closed shop in the Federal service.

No one has to join a union at all. It is purely voluntary. It simply means that if within a given unit—I assume in the Post Office, we have not decided this yet, but it has been traditional to have units based on craft lines—that if in a given unit an employee organization has enrolled in its membership 51 percent or more of the members within that given unit, they are then recognized by management as the exclusive bargainer for that particular unit for consultation and discussion.

It specifically says in the report, in the recommendation, that items such as determination of salary, fringe benefits, things of that sort, which are specifically set by Congress, are considered to be inappropriate items for bargaining purposes. Therefore, these are limited to working conditions, grievances, appeals, scheduling of work hours, things over which the executive branch or the agency would have control; but any area that has traditionally been settled by Congress will still remain in the hands of Congress and there will be no bargaining in regard to wages, fringe benefits, and things of that sort.

Mr. PASSMAN. Would this practice indicate that this is a step in the direction of eventual compulsory membership of all postal employees?

Mr. MURPHY. I would not envision that as being so. There is no compulsion involved in this program.

Mr. PASSMAN. Not at this time. But you are doing things now which you have not done before in recognizing these organizations and meeting with them to iron out these differences. If history means anything, this procedure simply means that in due time, when the majority of employees are in these organizations, it is, in all probability, going to lead to compulsory membership.

Mr. MURPHY. I think the Presidential Committee said, and I think the Executive order will restate this, that a closed shop is inappropriate to the Federal service.

Mr. PASSMAN. At this time that is the stated policy.

Mr. MURPHY. There is no provision made for a union shop whatsoever. There is no kind of compulsory belonging to an organization called for.

Mr. PASSMAN. I think the postal employees have been a preferred group for a long time. They are a hard-working organization. However, I do not see the need of taking this type of action any further. As I stated yesterday, I think I have voted for 9 salary increases for postal employees in 15 years, but that figure is subject to correction. But, I am disappointed now to have them come along with what could develop into a terrific pressure organization, which could lead into something that might be very distasteful in due time.

Mr. MURPHY. If I might interpose here, I think our experience has been—we have operated pretty substantially under this policy for the past year—our experience has been that we have had a much better relationship with our employee groups, that I think morale has been improved greatly as a result of this policy.

There have been many suggestions made to managements which I do not think we would have thought of before or problems brought to our attention which would not have occurred to us before had we not followed this policy. I have found it, rather than being a hindrance, to be a help in this particular regard.

I emphasize that what this calls for is not bargaining on these items that one would normally consider to be areas of negotiation in private industry. There is a very marked difference between the way employee groups, in my estimation, should be handled in private industry and how they should be handled in the Federal service. The committee has recognized this before.

What we are simply doing here is trying to involve more people in the policy formulating process and give us a good sounding board to test our own ideas as to whether or not they are sound before we put them into practice, and so we can do a little pretesting about how the degree of acceptance and acceptability and ramifications of the policies.

Mr. MURPHY. We do not advocate involving everybody—only the representatives. We are giving up no responsibilities to manage.

Mr. GARY. Since wages and fringe benefits and working conditions are fixed largely by the Congress, the Department would have absolutely no authority whatever to bargain on those items.

Mr. MURPHY. None whatsoever, Congressman—none. Most of these items are in regard to three or four major areas. Frst of all, in the area of promotions. This is an area of major concern to our employee groups, how promotion rules are going to be applied, what are the qualifications for promotion, what consideration should be given to seniority in these jobs, what consideration should be given to craft—which is historical in the postal service—items of leave policy, items such as scheduling of work which might affect employees materially, items such as grievances and interpretation of existing regulations.

I might also add suggestions for improvement in the postal service and how we can do our job more efficiently. We have found we have achieved, we think, a lot more as a result of this policy and will get more cooperation as it is applied at the local post office level. I emphasize again that this has nothing to do with the bargaining on wages, fringe benefits, or any area traditionally reserved to the Congress. That still remains where it should and, incidentally, where all the employee groups want it. There was not one single employee group that appeared before the task force in public hearings—and public hearings were held all over the United States—that wanted to negotiate wages or fringe benefits with the agencies involved.

Mr. MILLIKEN. It is easier to get it from Congress.

Mr. MURPHY. I just wanted to make that point. I do not interpret it.

Mr. GARY. Did you want to continue?

Mr. BRAWLEY. I think that concludes the policy changes that this group is concerned with. The others in Transportation and Operations, the Bureau chiefs are a little better equipped to tell you about them.

SUPERGRADES

Mr. GARY. How many supergrades are employed by the Post Office Department?

Mr. MURPHY. Currently there are 47—in the GS category, you mean, Congressman?

Mr. GARY. Yes.

Mr. MURPHY. In the GS category there are 47 authorized currently. I think 45 are filled. There has been subsequently an allocation, a request for 24 supergrade positions to the Civil Service Commission out of the new allotment made available by Congress last year, of which 21 have been tentatively approved and 3 are on appeal. That gives us an overall total of the ones now approved or existing of 68.

DISTRIBUTION OF SUPERGRADES

Mr. GARY. How are they distributed within the service?

Mr. BRAWLEY. Are you speaking now of the numbers of 18's, 17's, 16's, or between the bureaus?

Mr. GARY. I am talking about within the service itself, between the bureaus.

Mr. MURPHY. I do not have the exact number by bureau. I do have the positions here that I could submit.

Mr. GARY. Could you give us a table on that? I think it would be well if you put all that information in tabular form concerning the supergrades.

Mr. MURPHY. I could read these off for you, or I could submit this table.

Mr. GARY. Insert a table in the record on that. That will be satisfactory.

(The information follows:)

Supergrade positions, Post Office Department, January 16, 1962

	Grade
Office of the Postmaster General:	
Special assistant to the Postmaster General	GS–18
Executive assistant to the Postmaster General	GS–18
Judicial officer	GS–17
Special Assistant for Women's Affairs	GS–17
Special assistant to the Postmaster General	GS–16
Deputy executive assistant to the Postmaster General	GS–16
Deputy special assistant to the Postmaster General (Information)	GS–16
Office of the Deputy Postmaster General:	
Assistant Deputy Postmaster General	GS–18
Director, Office of Regional Management	GS–17
Director, Office of Management Services	GS–17
Assistant to the Deputy Postmaster General	GS–17
Deputy Director, Office of Regional Management	GS–16
Assistant to the Assistant Deputy Postmaster General	GS–16
Director, Management and Organization Review Division	GS–16
Bureau of Operations:	
Deputy Assistant Postmaster General for Field Operations	GS–18
Deputy Assistant Postmaster General for Programs and Planning	GS–18
Director, Installations Management Division	GS–17
Director, Distribution and Delivery Division	GS–17
Director, Work Measurement Branch	GS–16
Director, Space and Mechanization Requirements Division	GS–16
Director, Customer Relations Division	GS–16
Director, Delivery Services Branch	GS–16
Director, Postmasters and Rural Carriers Division	GS–16
Director, Classification and Special Services Division	GS–16
Special assistant to the Assistant Postmaster General	GS–16
Bureau of Facilities:	
Deputy Assistant Postmaster General	GS–18
Deputy Assistant Postmaster General	GS–18
Director, Realty Division	GS–17
Director, Procurement Division	GS–17
Director, Realty Acquisition Branch	GS–16
Director, Maintenance Division	GS–16
Assistant Director, Procurement Division	GS–16
Special assistant to the Assistant Postmaster General	GS–16

Supergrade positions, Post Office Department, January 16, 1962—Continued

	Grade
Bureau of Transportation:	
Deputy Assistant Postmaster General	GS–18
Deputy Assistant Postmaster General	GS–18
Director, Domestic Transportation Division	GS–17
Director, Research and Development Division	GS–17
Director, Railway Transportation Branch	GS–16
Executive assistant to the Assistant Postmaster General	GS–16
Director, International Service	GS–16
Director, Distribution and Routing Division	GS–16
Director, Transportation Research and Statistics	GS–16
Bureau of Finance:	
Deputy Assistant Postmaster General and Controller	GS–18
Assistant Controller for Budget	GS–17
Finance Officer	GS–16
Assistant Controller for Accounting	GS–16
Director, Postal Rates Division	GS–16
Statistical Programs Officer	GS–16
Executive assistant to the Deputy Assistant Postmaster General and Controller	GS–16
Bureau of the Chief Postal Inspector:	
Deputy Chief Postal Inspector	GS–18
Assistant Chief Postal Inspector	GS–17
Director, Internal Audit Division	GS–16
Assistant to the Chief Postal Inspector	GS–16
Office of the General Counsel:	
Deputy General Counsel	GS–18
Associate General Counsel (mailability-claims)	GS–16
Associate General Counsel (transportation-real property)	GS–16
Associate General Counsel (opinions-legislation)	GS–16
Bureau of Personnel:	
Deputy Assistant Postmaster General	GS–17
Deputy Assistant Postmaster General (program and review)	GS–16
Director, Employee Relations Division	GS–16
Director, Employment and Placement Division	GS–16
Director, Compensation Division	GS–16
Director, Training and Development Division	GS–16
Office of Research and Engineering:	
Assistant Director for Construction Engineering	GS–17
Director of Field Engineering	GS–16
Assistant Director for Management Engineering	GS–16
Assistant Director for Research and Development	GS–16
Assistant Director for Programing and Control	GS–16

Mr. GARY. Are there any questions? Mr. Passman?

Mr. PASSMAN. I have no more questions at this time.

Mr. GARY. Mr. Steed?

Mr. STEED. No questions.

Mr. GARY. Mr. Conte?

APPOINTMENT OF POSTMASTERS

Mr. CONTE. I have just a few, Mr. Chairman.

In regard to the indoctrination program you are giving the postmasters, I had made the suggestion several times, and I wonder if you have given any consideration to making postmaster appointments from career employees, from the civil service roster, taking it out of the political realm.

Mr. MURPHY. Yes, sir. As a matter of fact, I think 50 percent of the postmasters that we have appointed since January 20, 1961, have been from the career ranks. Mr. Belen can give you an exact figure on that when he testifies because that is in his bureau.

I recall from a staff meeting, I think about a week ago, in the breakdown Mr. Belen gave us, 50 percent of all Presidential postmaster appointments made since January 20 have been from career postal employees.

Mr. PILLION. Would you yield?

Mr. CONTE. Yes, sir.

Mr. PILLION. Has there been a study made evaluating the work of career postmasters and the postmasters appointed on what you might call a noncareer or political basis? Has there ever been a study made of that?

Mr. MURPHY. We have encouraged wherever feasible career appointees be considered by the advisors—generally a Congressman. But I want to say from my personal observation—I have made no study of it—that many of the postmasters that have come from the outside, especially in our larger offices, I think are among the best postmasters we have in the service. I think that it all depends on the man, not so much where he comes from, but his attitude toward the work, his interest in the work, his attitude toward the employees involved.

Mr. PILLION. Maybe a judicious mixture of the two systems might be the best solution.

Mr. MURPHY. I think it very well might be.

Mr. PILLION. I just do not want to foreclose one as against the other and say it has all got to be career or has all got to be political. I do not like to foreclose the avenues open to the Post Office Department.

Mr. BRAWLEY. If a career man is promoted from within the service, he is examined noncompetitively and merely has to qualify, which means he can qualify with a 70. A man coming from the outside must stand an open competitive examination, open to all comers. The selection is restricted to the top three. In a recent survey made by some of our own career staff, who had misgivings about the so-called political appointments—they are not really political appointments, but they are people who stand the open competitive from outside—they said in their survey many of the people coming from the outside were far more outstanding than some of the career people coming from within. I think the general mixture is probably a good idea.

Mr. GARY. That is within the discretion of the Congressman to a large extent, is it not?

Mr. MURPHY. Yes.

Mr. GARY. If he wants to promote someone from the service, he can ask for a noncompetitive examination. On the other hand if he wants to open it up, he can ask for a competitive examination.

Mr. MURPHY. That is correct, sir. As a matter of fact, I have a couple of postmasters in mind where we have the most complaints from employee organizations, and they just happen to be career people. Some of the postmasters that are doing the best job in terms of dollar savings and efficiency happen to come from outside the postal service, but they are all selected off of a register. This is the point I had in mind in responding to Congressman Conte. All these people have to go through some examination process. In a sense, they all come from a civil service register. Those who are career people get a noncompetitive examination and the people from the outside have to take a com-

petitive and have to qualify under certain standards. In that sense, they are all from a civil service register or civil service approval has been given to them in one way or another.

Mr. CONTE. By and large, some of the appointees that have come from the outside have been highly capable and exceptional men, depending on whom the Congressman appoints. By the same token, we have a sprinkling of people that are not qualified and have been appointed strictly on a political basis, either were the Republican or Democratic chairman of a particular city or town. That was about the only qualification for the office.

STANDARDS FOR POSTMASTERS APPOINTMENTS

What have you done in regard to this examination and the standard we talked about last year? What are those standards?

Mr. MURPHY. We have a change here. We changed the qualification standards for postmasters, which briefly did two things. First, in the larger post offices, it put a greater degree of emphasis on experience in managing a large enterprise. Secondly, it enabled us to substitute in certain cases years of college training, et cetera, for certain experience requirements in smaller offices.

I can give a rundown on what we have done. First of all, for Presidential appointees PFS–5 through PFS–19, basic eligibility, a person has to be no less than 18—we have some young postmasters, I discovered at the postmasters' convention—up to 70, has to be a citizen with actual residence within the delivery area of the post office for 1 year immediately prior to the closing date for the filing of the exam.

This creates some problems from time to time. That is an important qualification to keep in mind that the postmaster who is appointed has to be a resident of the delivery area for 1 year prior to the actual taking of the examination.

Mr. MILLIKEN. I have seen them do this. They move in a man as an acting postmaster, keep him there for a year, stall this examination for a year and then make him postmaster.

Mr. MURPHY. I think that practice is to be highly discouraged.

Mr. MILLIKEN. It ought to be.

Mr. BRAWLEY. If I may comment on that briefly, I knew that some of this had gone on. We established pretty strong recommendations for installation of acting postmasters as well as permanent postmasters and we do investigate very thoroughly—the Inspection Service does—the recommendation for acting postmaster.

We have turned many of them down in the last 12 months.

Mr. MILLIKEN. I do not think an acting postmaster should be put into a place where you will give him an examination. There will be a vacancy in the post office. You could put anybody in as acting postmaster. The administration before my time moved a man in from another area and made him acting postmaster. He never lived in that town. He lived in a room. I do not think that a man as postmaster should be allowed to come in from some other place 10, 15, or 20 miles away. I know of a fellow who came from Scranton who was put in our post office in one of the top jobs way down in Delaware County. I think those are some things that should be corrected.

Can't you make what they call a contract branch or financial branch in a place like that? I did that in a couple of places where we did not have the salary for postmaster. We kept the post office on that basis.

Mr. MURPHY. He must have a rigid physical examination in most cases. He must have a good reputation as to character, habits, morals, honesty, et cetera. We have postal inspectors who make an investigation of the background into acting postmasters to assure that these things are so. The Civil Service Commission checks the references of other eligibles and vouchers by mail in lieu of a personal investigation for PFS levels 5 through 12. The actual requirements are as follows: There is a written examination that is required below PFS 10. Above PFS 10 the experience requirements are roughly as follows: In the PFS 18 and 19, which are our largest post offices—New York, Los Angeles, Chicago, et cetera, he must have 6 years of comparable experience in management of some kind or management of a large enterprise or experience that is deemed comparable. PFS 13 through 17, 5 years comparable experience; PFS 10 through 12, 4 years of comparable experience, and PFS 8 and 9, 3 years of comparable experience. PFS 7, 1½ years, and PFS 5 and 6, 1 year.

Education may be substituted in all except the top offices, in the top levels of 18 and 19 there may be no substitution but from levels 10 through 17 you may substitute 1 year above the high school level for 6 months of experience. That is the substitution that may be made, 1 year of education above the high school level for 6 months of experience, up to a maximum of 4 years' education for 2 years' experience.

That is all you can substitute, 2 out of the required 5 or 6 years that is required.

In PFS–8 and PFS–9, 1 year may be substituted for 9 months, up—pardon me, 1 year for 9 months is a substitution and 2 years' education above high school for years of experience. In PFS level 7, a maximum of 1 year of education is substituted for a maximum of 9 months' experience, and in PFS levels 5 and 6, a month-for-month basis is substituted up to 6 months.

Mr. GARY. In the case of Richmond, as I said, there were 20 applicants, and some of those applicants have already been given notice, without an examination, that they were not eligible. Was that based on the lack of experience?

Mr. MURPHY. That is right. Perhaps also residence requirement. They did not have comparable experience of 5 years, which would be necessary in your case, or they did not have a combination of the education and the experience which would be equivalent to 5 years.

Mr. PASSMAN. Will the gentleman yield?

Mr. CONTE. Certainly.

APPOINTMENT OF ACTING POSTMASTERS

Mr. PASSMAN. Is it a fact that you can transfer a patron of some other post office into a community to fill the acting postmaster's vacancy?

Mr. MURPHY. This can be done. It is certainly discouraged strongly.

Mr. PASSMAN. I think it is a practice which certainly should be discouraged.

Mr. MURPHY. It is strongly discouraged.

Mr. PASSMAN. I would never even think of giving a recommendation for a postmastership to someone who was not a patron of the office. I wonder if you could not correct that condition? I never knew until just now that such a thing could be done.

I thought that in every instance the appointee should be a patron of the office. You could, as it is, carry that so far as to transfer maybe out of another State, for example, from New York down to Louisiana.

Mr. BRAWLEY. We do that in many instances, where we send an inspector in to run an office.

Mr. PASSMAN. I am not referring to such a situation as that. I am talking about some of these matters that are handled politically. In rural free delivery, of course, carriers can exchange by mutual agreement. However, I never knew before today that you could appoint a person from New York to serve as postmaster down to Louisiana, when he is not a patron of the office.

Mr. MURPHY. It can be done under certain circumstance, but it is highly discouraged.

Mr. CONTE. You mentioned comparable experience. Would this have to be service in the management field?

Mr. MURPHY. It should be. I would like Mr. Beary to elaborate upon that, if he could. Could you elaborate on exactly what is required there?

Mr. BEARY. The experience required, it can be generally in the management field, but that is a broad area. A man could have been a businessman, run his own business; he could be in the academic field, in the administration phase of that. There is quite a large area of qualifying experience, and intentionally so, because you can get a broader choice of man for the job

Mr. CONTE. Let's get a concrete example.

An individual works for someone as an employee. He is not in a supervisory capacity. Would he qualify?

Mr. BEARY. Just as a nonsupervisory employee, he would not qualify for any high grade of postmaster. It is very likely that he would have enough to tell about in his application along with any outside activities he may have been involved in to qualify for a grade 5 or 6 postmaster; yes.

Mr. CONTE. Take an employee from a post office. What position would he have to be in before you could start comparing his service?

Mr. BEARY. Generally speaking, up to a grade PFS–9 postmaster, clerk, or carrier experience is regarded as qualifying.

Mr. CONTE. And above that it would have to be in a supervisory capacity.

Mr. MURPHY. Generally so, or else he would have had to have held a position outside the post office which would have put him into a position of having greater responsibilities than one would normally have for example as a clerk or carrier.

He would have to have some greater administrative responsibilities.

APPOINTMENT AND ADVANCEMENT OF SUPERVISORS

Mr. CONTE. I want to compliment you in regard to your advancement of supervisors. I think this is very important, for it has been a soft spot in the postal service.

How much authority will the regional director have in these appointments?

The regional director is a political appointee.

Mr. MURPHY. The system that we have set up provides as follows: This is very roughly it. In offices that have a hundred or more people on the supervisory register, there is an examination given, of course, and we have taken a weighted factor—three factors—and weighted them together to give an overall score. First of all, we have taken the score that a man achieves on the supervisory examination itself, which may give us a spread of 30 points, anywhere from 70 to 100. In addition, we have taken a score, based on the man's total postal service, which will give us a maximum spread of 12. He gets so many points for so many years of postal service. And then finally we have taken another spread of, I think it is 12 points, and in which we would have the man rated by two immediate supervisors on a number of characteristics. These three scores are then added together and given a weight, and you come up with an overall number, an overall score.

We then establish a register in descending order based on the overall weighted average that the man has and we provide that the top nine men on that particular overall list then go to what we call a promotion advisory board, which is made up generally of the assistant postmaster, the general superintendent of mails, the chief personnel officer, and the immediate tour superintendent. Then there are three other officials appointed by the postmaster to that board so that a seven-man board then proceeds to evaluate the top nine people who are on that list. They must consider the top nine and for every vacancy they then recommend to the postmaster, three names for every vacancy, and the postmaster has the option of choosing any one of the three that are recommended to him off of the list by the promotion advisory board. That is for level 7. That is for the promotion to the first line of supervision where the great number of promotions take place. There aren't too many promotions above level 7 in the post office and certainly in terms of the relation to the overall employment.

Above level 7, the postmaster—it is optional with him whether or not he wishes to move a promotion advisory board. He may do so if he he wants to, and in our larger post offices most of our postmasters do use a board to help them make an evaluation of employees for promotion. I know, for example, Postmaster Fixa has done this for many years in San Francisco; Postmaster Oleson has done it in Los Angeles. Others have done it. The promotion advisory board is not mandatory above level 7, but it is optional with the postmaster. The postmaster then selects for each vacancy three people in his order of preference—first, second and third. He then sends these nominations to the regional director for final approval. The postmaster actually makes a selection, makes the nomination, and the regional director clears it for final approval. This is between level 7 up to level 13 or 14. Anything above level 13 or 14 has to go through the region and then finally into the Department, generally into the Bureau of Operations for final approval. That is, the really top spots in the post office where we think very careful attention has to be given to who are selected for these key posts.

That, briefly, is the system that we have set up.

Mr. CONTE. Between levels 7 and 14 the regional director still has the right to take any one of the three, even though the postmaster sends them in one, two, three.

Mr. MURPHY. That is correct.

He has that discretion. This is a limiting factor on the postmaster. In other words, we are doing what I think is essential, and that is giving the postmaster a large voice in the selection of his own supervisory personnel because he has the accountability for that office and if something goes wrong and we hold him accountable, we cannot very well hold him accountable if he has not had a chance to make the promotions and the recommendations on promotion.

NEW HEADQUARTERS PERSONNEL

Mr. CONTE. Mr. Thomason, I agree with the chairman in regard to the reorganization. I think it is a good thing, but by the same token, we are adding on 114 new men. It would seem to me that in industry, when you have a reorganization and they are trying to streamline, they usually cut down on personnel.

Could you, for the record, give us a list of these 114 men, their position and pay scale?

Mr. THOMASON. We can provide that for the record. I think maybe Mr. Harriman might have that. He has the bulk of positions. He might want to give you a little more of the background of this program.

Mr. CONTE. We will have him this afternoon. We can elaborate on that.

VEHICLE MAINTENANCE PROGRAM

You mentioned your strong maintenance program. Do you intend by this program to extend the life of our vehicles in the postal service?

Mr. THOMASON. Certainly in the sense that we found that some of the vehicles are being abused rather than used. We plan to have a program that will assure proper maintenance at the right time and will prevent breakdown, get better utilization out of the vehicle and in many cases will extend the life of the vehicle. The Bureau of Facilities, when it discusses its program, will want to give you a little more detail on that because it is a very important program.

Mr. CONTE. I hope my constituents see fit to send me back next year so that I may raise this question and to ascertain whether the life of the vehicles have been extended and our maintenance costs reduced—go down.

Mr. THOMASON. This is the objective very definitely.

TRANSPORTATION CHANGES

Mr. CONTE. In regards to transportation you mentioned a more effective job. Do you anticipate an earlier delivery of the mail by this change in transportation?

NIMS PROGRAM

Mr. THOMASON. That plus other things being done. For example, the NIMS program, which will be discussed later on, by choosing the right transportation to expedite the movement of the mail and at the

same time considering costs, which are also very important in this, we expect to do a better job in moving the mail to the ultimate person, the person at the other end of the line.

When the Bureau of Transportation is here, you will want to get into details on its new organization.

Mr. CONTE. That is all, Mr. Chairman.

TRAINING PROGRAM FOR POSTMASTERS

Mr. STEED. I want to make a brief observation, Mr. Chairman. In two instances where the death of the postmaster required an acting postmaster to be selected, I had an opportunity to see your program of training the new postmaster in operation. I was very impressed with it. I want to applaud that program very much. I had a personal opportunity to see it work. It was very helpful.

STRIKE OF POSTAL WORKERS

As I recall, in that instance, since the present organization of the English postal system, it requires the Postmaster General to set wages rather than having it in Parliament. They had an opportunity there to invoke a pressure on the management that they would not have here where Congress does the deciding on those items. The strike came as a result, as I remember it, over their inability to get a pay raise.

Mr. MURPHY. That is right. I think those of you gentlemen who have been here a good while and know the leadership of our postal unions know that not one of the leaders, at least that I am aware of, would ever advocate any such thing as a strike or even a slowdown. I know none of them have ever advocated that at all.

I do not think that for us now this is a major problem or worry.

Mr. BRAWLEY. To get back to the personnel changes that Mr. Conte asked for there has already been inserted in the record this morning sheets 11.3–11.7 which spells out in detail the grade, title of the positions, and the justifications for those positions. It does not give the salary. It gives the salary level, GS–13, 12, et cetera. It begins on 11.4.

Mr. PILLION. The salary amounts are on page 10–2, are they not?

Mr. CONTE. 11–4 is GS–7 or GS–6.

Mr. MURPHY. These are the additional ones that are being asked for, especially in my Bureau.

DEDICATION OF NEW POST OFFICES

Mr. GARY. Whom are you sending now to attend the dedication of new post offices?

Mr. MURPHY. Most cases it is the regional director or the assistant to the regional director, or an official from the Department who does most of the dedications, or they may be top officials of the regional office, but in very few cases does anyone go out from the Department unless it is an Assistant Postmaster General or a division head on a special occasion. Normally it is the regional director, the assistant to or one of the top officials of the regional office.

Mr. GARY. I think that is entirely proper and the reason I asked is because in the past they have had consultants that were paid $75 a day to go around and dedicate some of these post offices. That occurred to me as being entirely inappropriate.

Apparently in some instances they had everybody there except the regional director, who it would seem to me should be there. Even though a speaker is sent from the Department, it seems to me the regional director should certainly be there when a new post office is started in his region.

USE OF CONSULTANTS

I notice you are not using consultants. I hope you will be very careful in watching the consultants in the future. The Post Office Department, in one study that it made, paid consultants $400 a day for their services. I have not seen a Member of Congress yet who felt that a consultant's fee of $400 a day was justified in any study for the Government.

Mr. BRAWLEY. We do not believe so, either, sir.

Mr. GARY. I think there are times when consultants are advisable, particularly in engineering and technical fields. You cannot carry on your rolls people who are skilled in all of the technical fields. You have a certain degree of specialization, in the field of engineering and research today and there may be times when you want to bring in specialists in certain lines. I think it is all right. I think they should be adequately compensated for their services but it did appear to us last session that the practice was getting out of hand. I hope the Congress is going to do something about it, as a matter of fact, at this session. Whether they will or not, I do not know.

INSPECTION SERVICE

We will take up first the question of postal inspection.

I believe Mr. Montague, the Chief Postal Inspector, has a statement which he wishes to present.

Will you proceed, Mr. Montague?

Mr. MONTAGUE. Mr. Chairman, we have a statement which was submitted. We would like to have it put in the record. I had not planned on reading it.

GENERAL STATEMENT

Mr. GARY. We shall insert the statement at this point in the record.

(Mr. Montague's statement follows:)

GENERAL STATEMENT OF HENRY B. MONTAGUE, CHIEF POSTAL INSPECTOR

Mr. Chairman and members of the committee, gentlemen, the postal inspection service has several principal functions. It is our responsibility to conduct investigations of violations or alleged violations of postal laws, to maintain the security of the mails, to conduct internal and other audits and inspections of postal installations, to keep the Postmaster General informed as to the condition and needs of the postal service, to carry out the security program for the Postal Establishment, to act as the defense coordination facility for the postal service, and to serve as military liaison for the Post Office Department.

These functions are carried out by a force of 978 postal inspectors and 112 internal auditors with supporting technical and clerical staff under direction of the Chief Inspector.

CRIMINAL INVESTIGATIONS

In 1961 the inspection service initiated 86,732 criminal investigations. It is significant and a matter of real concern that this reflects a 49-percent increase over the number of cases involving postal crimes investigated 10 years ago. During the past year recurring publicity has been given to the rising nationwide increase in all types of crimes. "Uniform Crime Reporting," issued by the Federal Bureau of Investigation, recorded an alarming 14-percent increase in serious crime in calendar year 1960 over 1959. The first 9 months of this year recorded another 4-percent increase over the same period last year.

In fiscal 1961 42.7 percent of our manpower was devoted to criminal investigations. In 1962 an estimated 45.8 percent will be so applied and in fiscal 1963 this apportionment will be 49 percent or higher.

Notwithstanding the necessity for spreading our limited force over an increasing criminal caseload, we believe that our record of effectiveness in combating this rising crime trend will be of interest to this committee. We should like to invite your attention to the followng chart reflecting the increase in arrests made by this service in a few of our major areas of criminal work:

	Fiscal 1951	Fiscal 1961	Percent of increase
Burglaries of post offices	407	536	+32
Thefts from mail receptacles and possession of stolen checks	2,444	4,458	+82
Forgery of money orders and postal savings certificates	213	432	+103
Fraud	289	651	+125
Obscenity	134	457	+241

This record reflects only the number of actual arrests. One arrest frequently clears up many known and reported violations thus indicating a higher degree of investigative efficiency than the mere percentage increase itself. Also we are submitting for the record a separate chart showing arrests and convictions by violations for fiscal years 1960 and 1961.

We believe you will be interested in knowing something about the status of specific programs we have undertaken, the problems which confront us, and the achievements realized thus far.

MAIL FRAUD

Under the law the Postmaster General is charged with the responsibility of insuring that the U.S. mails are not used in pursuance of fraud. The Postal Inspection Service acts for the Postmaster General in enforcing the mail fraud statutes.

This Service has had underway a major program for combating fraudulent use of the mails. Plans are coordinated carefully with the Criminal Division of Department of Justice and U.S. attorneys throughout the Nation. We can report to you that this program has been very effective. It is our intention to continue to bring as much pressure to bear as possible to protect the American consumer from being defrauded by mail.

This fiscal year through December 8, 1961, we have received 36,000 complaints from the public indicating possible fraudulent use of the mails. By the end of the year it appears that we will have received about 80,000 such complaints. As a result of our investigations through December 8 some 1,072 fraudulent promotions have been suppressed in which nearly $24 million was filched from the public. While it is not our function to attempt to effect financial settlements in such cases, we can report to you that restitutions in the amount of $1,094,806 have been made.

We believe it is evident from the number of complaints and the millions of dollars being extracted from the public through mail fraud that we must continue and expand our crackdown on the promoters of such schemes.

As previously reported to you, one of the major rackets to receive attention by this Service has been the so-called advance fee racket whereby owners of small businesses have been induced to pay advance fees for contracts to sell their businesses or real estate or to obtain loans on them. Generally speaking, original contact with the victims is made by mail and the fraud subsequently carried out by high pressure confidence men who personally contact the victims. In 28 such cases presented to U.S. attorneys during the past several years over

$22 million was filched from the public. Prosecutions have been instituted in 23 of the cases and a total of 160 persons indicted. Successful prosecutions have been obtained against the principal operators in every case brought to trial and only 11 defendants who were salesmen and less culpable than the principals have been acquitted.

Recent widespread publicity has been given to investigations by postal inspectors of complaints relating to savings and loan associations operating in the State of Maryland. Complaints were received that numerous out-of-State promoters were setting up savings and loan associations in the State of Maryland and advertising throughout the Nation for deposits by mail offering exorbitant returns of interest and prizes of television sets and other expensive merchandise. Investigations of 19 savings and loan firms have resulted in 4 major mail fraud indictments to date and numerous others are pending.

The complexity and time-consuming nature of these investigations is evidenced by the numerous lengthy trials which have ensued. Worthy of particular note in this connection was the trial in the *Commercial Savings & Loan* case which lasted 18 weeks and was publicized as the longest trial of record in a Federal court in the State of Maryland. The *Texas-Adams* case in the southern district of New York lasted 14 weeks and the *Lenders Service* case trial at Bismarck, N. Dak., lasted 19 weeks.

The variety of such promotions is virtually without limit and persons in all walks of life are potential victims. The emphasis upon civil defense preparedness in case of atomic attack has brought to public alertness the problem of constructing fallout shelters. Some unscrupulous people have seized upon this awareness and important public need as a means for obtaining large returns through deception and fraud. At the request of the Attorney General of the United States we have initiated a vigorous investigation program to protect the public from such swindlers.

Medical frauds are among the most vicious which we encounter. In these cases the victim frequently loses not only his money, but in many instances his health as well. To meet this challenge we are expanding the inspector manpower working on medical frauds and will continue to give this important program all possible attention.

Among the more recent fraudulent enterprises to which we must give major attention are schemes carried out through advertising over radio stations located in Mexico. Broadcasts from these stations are beamed across the border into the United States offering for sale misrepresented merchandise. The advertisers are firms located in the United States. In October of this year representatives of this Service met with representatives of the Federal Communications Commission and the Department of Justice. It was decided that the FCC would monitor such broadcasts and furnish tapes to postal inspectors who would undertake investigations to determine whether mail fraud statutes were violated. The plan is now in operation, and the Attorney General's Office has alerted U.S. attorneys throughout the Nation to the situation. The first of such cases will be presented to the grand jury at Fort Worth, Tex., this month.

Considerable attention has been given during the past year to schemes involving the filing of false insurance claims. Several of these cases involved rings, which staged fake accidents for the purpose of collecting insurance. In Miami, local authorities with the assistance of postal inspectors prosecuted members of a ring which swindled a widow of approximately $1 million. This same group had also been filing various claims for merchandise alleged to have been destroyed or damaged by fire. The members have been indicted for mail fraud and are awaiting trial for this offense. Since initiation of our program in these cases, 78 persons have been indicted, and 44 have been convicted.

During fiscal year 1961, a program was initiated to investigate cases involving land offered for sale in Brazil. Twenty such cases are currently under investigation. In one of these cases, land offered as retirement property was actually located in a jungle completely unsuitable for habitation by civilized people. As a result of the investigation, the retirement property scheme was promptly discontinued, and all moneys obtained were refunded to victims. If the operation had succeeded a potential loss of $35 million could have been sustained by the public.

Close cooperation is being maintained with both the State and Commerce Departments. Successful conclusion of these cases is important to protect the American public and to avoid any unfavorable effects such fraudulent activities could have on legitimate trade relations between the United States and Brazil.

In addition to the schemes already cited, many swindlers use the mails to take advantage of people who would like to earn money at home in their spare time. Such schemes are numerous and embrace all types of activities from the sale of knitting and sewing machines to the addressing of envelopes.

Vigorous action against swindlers engaged in knitting and sewing machine schemes whose operations were nationwide in scope has resulted in 88 persons being indicted; 67 defendants have been arrested and 40 convicted; and numerous cases of this type are still pending before U.S. attorneys. Due to our investigations and successful prosecutions, many of these promoters quit before they had an opportunity to victimize additional persons.

Swindlers engaged in vending machine schemes, franchises, and distributorships lure their victims by offering lucrative part-time employment for those who need to supplement meager family incomes. These promoters have been reaping a rich harvest. Our investigations of these cases have resulted in the indictment of 90 persons, 79 of whom have been arrested and 43 convicted. Notwithstanding the vigorous action taken, the scheme is still being widely operated, and much more work must be done before the swindlers can be brought under effective control.

OBSCENITY PROGRAM

In February 1961, Postmaster General Day issued a directive to this service calling for the most effective enforcement possible of the criminal laws prohibiting the mailing of obscene matter. In response to this directive, a group of experienced inspectors was selected and given special training in handling obscenity investigations. Attorney General Kennedy was informed of this program and in March he advised that the Department of Justice was pledging its full support to the program. As a result of this cooperation and by virtue of recent decisions of Federal courts, prosecutions are now possible in a large number of cases which were heretofore not actionable under the postal obscenity statutes. During fiscal year 1961, 457 arrests were made in cases involving the use of the mails for transmitting obscene materials. This represents a 241 percent increase over the figure for the fiscal year 1951.

Through December 8 of this fiscal year arrests for these violations have increased 23 percent over the similar period last year. Through December 8 we received 21,000 complaints from the public and it appears that the figure will reach 45,000 by the end of the year. Our investigations have been instrumental in suppressing 2,917 obscene promotions during the first 5 months of this fiscal year. During the next fiscal year we will assign additional inspector personnel to such investigations.

DEPREDATION PROGRAM

Among the most serious crimes plaguing the public and the inspection service is theft of letters from house letter boxes. These thefts are aimed primarily at obtaining checks which are subsequently forged and passed. These checks have represented such tempting targets that groups of professional house letter box thieves have tended to evolve. Many of these thieves are drug addicts who obtain money in this manner to satisfy their addiction.

The number of State, county, and commercial checks mailed to postal patrons is increasing constantly. The Treasury Department estimates that this fiscal year some 452 million Treasury checks will be mailed to the public. In an effort to provide increased protection to the public and maintain the security of the mails, several conferences have been held with Secret Service officials. The Postmaster General has issued instructions to postmasters emphasizing the need for safeguarding Treasury checks in making deliveries, the need for improving mail receptacles, and the necessity for withholding deliveries where safe mail receptacles are not furnished after notice has been given. The Department of Justice issued a letter to U.S. attorneys urging aggressive prosecution to secure more severe sentences, especially for professionals and repeaters. During fiscal year 1961 4,458 arrests were made for such offenses.

Burglaries of post offices continue to occur at a rate of approximately 100 per month. Of primary concern in such burglaries is the theft of blank money orders which are subsequently passed on forged endorsements. In one such case a ring of burglars passed some 250 money orders obtaining in excess of $25,000 in Central America, Mexico, United States, and Canada. These orders were obtained through the burglaries of seven post offices. Seven of the offenders have been apprehended and one is still being sought.

In discharging one of the basic responsibilities of the postal inspection service, protection of the mail, constant attention is given by postal inspectors to mail losses and depredations at all mail handling points.

IDENTIFICATION LABORATORY

To provide necessary scientific and technical support to inspectors throughout the Nation, this service maintains four identification laboratories. During fiscal year 1961 over 109,000 exhibits were examined by these laboratories resulting in the positive identification of 845 individual offenders. In addition, these laboratories extended expert technical assistance to 42 other agencies not having their own facilities and provided training at the request of the International Association of Chiefs of Police to law enforcement officers of 11 countries.

INTERNAL AUDIT AND INSPECTION PROGRAM

Consistent with our responsibility for keeping the Postmaster General advised as to the condition and needs of the service, the inspection service conducts annual audit inspections of all post offices as well as periodic inspection of other postal installations. About 27 percent of our inspector manpower is devoted to these annual audit inspections, and 50,594 such inspections were made during fiscal year 1961.

The primary objectives of these inspections are to determine that all revenue due the Government is being collected and accounted for, that mail is being handled promptly and is adequately protected, and that management regulations are being followed.

Among the areas which will receive special attention during the following fiscal year will be the inspection of all mobile transportation units. Guidelines have already been prepared and plans made.

The internal audit function of the inspection service consists primarily of providing assistance to management by conducting independent audits and appraisals of financial systems and operating controls and by reporting systematic intelligence, to focus top-management attention on problem areas disclosed in the audit and appraisal process. Our Internal Audit Division also renders annual statements to the Postmaster General concerning the integrity and fairness of the Department's annual financial statements.

During the past fiscal year considerable progress was made in broadening the scope of internal audits to make them more comprehensive and of greater value to operating management. Contributions to improved management and better operating practices resulted from internal audits of (1) processing, accounting, and settlement procedures for international mail business, (2) vehicle fleet maintenance and utilization, (3) payrolling, (4) highway and railway transportation of mail, and (5) property accounting.

The Division of Internal Audit continued to devote a significant percentage of time to the audit of cost-type contracts the results of which tend to strengthen the negotiating and contract administration processes and to insure the reasonableness of prices negotiated and costs reimbursed by the Department. These are particularly important in connection with the mechanization and modernization program of the Department.

A further example of the expanding nature of the work of the Division of Internal Audit is reflected in the review of progress payments made to several manufacturers of lockboxes and screenlines under advertised contracts. On the basis of the findings, the Bureau of Facilities has requested that a complete audit be made of the procedures and practices used by the Department in approving and making progress payments.

Continued attention has been given to education and training programs for the auditing staff; 25 auditors and 45 inspectors are currently enrolled in correspondence courses in accounting under Public Law 85–507, seminars have been held to disseminate important findings and new approaches, and steps taken to advance the competence of this staff in the auditing aspects of automatic data processing.

Joint assignment of auditors and inspectors on designated projects has proven very satisfactory and tended to substantially improve results attained. Auditors have participated with inspectors in several instances in investigating and prosecuting mail fraud cases involving complex accounting matters such as the recent savings and loan cases in Maryland. Plans have been made to further this type of joint effort in carrying out several assigned projects during the present and forthcoming fiscal years.

PERSONNEL INVESTIGATIONS

This service is also charged with the conduct of certain suitability investigations of postal personnel. At New York City 54 persons were charged with impersonation for competing in civil service examinations for postal positions. These "ringers" were paid as much as $125 for successfully passing an examination on behalf of the actual applicant. These investigations were conducted in close collaboration with the U.S. Civil Service Commission; 53 of the 54 persons so charged were convicted.

During the past calendar year this service has conducted approximately 3,000 suitability and character investigations of persons selected as acting postmasters. These investigations are utilized by administrative officials in determining whether applicants meet existing eligiblity standards.

SURVEYS OF POST OFFICES

The Department recently directed regional officials to take over certain surveys of post offices which were previously made by postal inspectors. The full extent of the impact of the relief which will thereby be afforded the inspection service is not fully known; however, we hope that, during the course of the current and next fiscal year, we will be able to divert about 6 percent of our manpower from such service work to criminal investigations.

FINANCIAL INVESTIGATIONS

Closely allied to the audit inspection program, and in many cases as a result of findings during inspections, this service initiated 6,642 financial investigations during fiscal year 1961. Among these were investigations which resulted in criminal proceedings against 166 employees for embezzling funds. Within this category of investigation, extensive attention is given to protection of revenues such as the collection of proper amounts for the mailing of newspaper or other similar mail matter on which postage stamps are not affixed. Weaknesses in procedures disclosed in these investigations are reflected in one such case in which a large New York direct mail advertising firm admitted defrauding the Department of over $267,000 in postage on circulars and other advertising matter. This was accomplished through collusion with postal employees. Following these findings the company declared bankruptcy, its officers were indicted, and $50,000 in partial restitution was obtained.

Following apprehensions of dishonest postal employees who had stolen mail, postal inspectors collected nearly $243,000 during fiscal year 1961. The amounts recovered were paid to the United States and to the senders or owners of the mail. Reimbursement to patrons included a total of $15,600 to religious and charitable organizations. In one notable case inspectors recovered registered mail pouches incident to the arrest of the thief at Atlanta, Ga., containing over $90,000 in cash and other securities. During fiscal year 1961 postal inspectors recovered a total of over $955,000 as a result of their investigations.

ACCIDENT INVESTIGATIONS

The inspection service conducts investigations in all accidents occurring in the course of the operations of the postal service where personal injury to private individuals is involved or where damage to private property exceeds $500. The facts and evidence developed in these investigations are essential to the settlement of administrative claims by the Department and in the defense of suits against the Government under Federal tort claims procedures. In 377 such suits settled both in and out of court during fiscal year 1961, plaintiffs filed aggregate claims in the amount of $12,416,000; however, these suits were settled through awards of $1,410,000, a reduction of over $11 million from the original amounts claimed. The results of investigations conducted by specially trained inspectors were a factor in effecting these reductions.

It is essential that we maintain a specialized group of inspectors for assignment to this type of investigative work since immediate attention is invariably required and the interests of the Government must be protected in such situations.

GENERAL ADMINISTRATION

The investigative force of our service consists of 978 inspectors and 112 internal auditors strategically located throughout the 50 States. Because of the relatively small number as compared to the geographical area served and the scope of audit inspection and investigative responsibility of the service, it is essential that we maintain versatility in the force. While some phases of our work such as internal audit and segments of our criminal investigations programs lend themselves to specialization of effort, we have found it essential to provide well-rounded training to all inspectors.

We are proud of the espirit d'corps of our inspector force. The dedication of these men is reflected in the exceptionally low turnover rate of less than three-tenths of 1 percent, a figure appreciably lower than that for the Federal Government as a whole or private industry. It is significant to note in connection with their qualifications that the average appointee to our service has 10 years' postal service.

The average work year of an inspector during fiscal year 1961 consisted of 2,354 hours, or the equivalent of 294 8-hour days. This does not mean that each man actually worked on 294 of the 365 available days. We have stated it in this way for the purpose of comparison with the 225 to 235 8-hour days which constitute the normal workweek of most employees. It was only through the equivalent of 260 man-years in excess of what would have been realized on the basis of an 8-hour day that we were able to do as well as we have in keeping pace with our workload.

In fiscal year 1961 we initiated a new work reporting system which has enabled us to measure more effectively the total manpower requirements of the service and the various operating programs which make up our workload. The results obtained have recently been evaluated and action is underway looking toward the most realistic allocation of available inspectors to such priority matters as the fraud, obscenity, and depredations programs.

CLERICAL FORCE

In support of the force of 978 inspectors there is a field complement of 436 noninspector personnel consisting of scientific and technical specialists, evaluators, stenographers, and clerical personnel. In order to insure maximum utilization of this segment of our force, we recently initiated a detailed nationwide survey of procedures at our various division headquarters.

Also, we have had under study for some time proposals for converting some statistical and other clerical operations to automatic data processing. These actions are being taken to try to keep pace with our heavy workload.

CONCLUSION

Gentlemen, the budget submission for the inspection service for fiscal year 1963 does not reflect a request for additional personnel; however, carryover costs, periodic step and longevity increases, anticipated higher travel costs as a result of Public Law 87-139, an increase of 6 percent in auto mileage, and a need for additional funds in the amount of $5,000 for confidential information and services will require $396,000 more than was requested in 1962.

I believe it is clear from my comments in this statement that the increasing crime rate and the increasing complexity of all types of investigations are having a heavy impact on our inspector force. I should like to submit for the record a capsule chart reflecting the actual caseload experienced by this service in 1961, and an estimate of the workload in the same categories for the current fiscal year. The chart also reflects the dispersion of our manpower in 1961 as well as estimates for the current and next fiscal year. It will be seen from the chart that we have expectations that the handling of certain service work by regional personnel will have the effect of gradually reducing manpower needs in those areas to the extent of approximately 6 percent by the close of fiscal year 1963. This manpower will be diverted to criminal investigations and audit inspections where it is so badly needed.

Workload table

	Fiscal year 1961				Fiscal year 1962			Fiscal year 1963	
	Case-load (actual)	Closed	Man-years applied	Per-cent	Case-load (esti-mated)	Man-power to be applied	Per-cent	Man-power to be applied	Per-cent
Criminal investigations: fraud and other prohibited mailings, mail losses, embezzlements, burglaries and forgeries	124,061	91,026	420	43	132,732	448	46	472	49
Audit inspections, all types	55,199	50,594	260	26	56,115	268	28	277	28
All other investigations	39,450	32,188	232	24	27,882	206	21	171	18
Under instruction			39	4		20	2	20	2
Supervisory			33	3		33	3	33	3
Total	218,710	173,808	984	100	216,729	975	100	973	100
Manpower in en route status			144						
Man-years on leave			106						
Total			1,234						
Less man-years worked in excess of 40-hour week			−260						
Total			974						
Document analysts			3						
Paid employment			977						

ARRESTS AND CONVICTIONS

Class of offense	Arrests, fiscal year—					Convictions, fiscal year—				
	1957	1958	1959	1960	1961	1957	1958	1959	1960	1961
Burglary of post offices, stations, etc	478	462	514	474	536	398	413	493	414	448
Holdup and robbery	14	29	33	34	30	16	20	36	25	27
Theft and rifling of mail by—										
Postal employees	541	621	609	618	595	463	579	582	565	521
Railroad employees	17	8	6	14	12	12	11	5	9	11
Others from mail receptacles	2,705	3,160	3,306	3,119	3,330	2,497	2,908	3,144	2,966	3,070
Interception	414	448	467	492	521	380	413	404	450	487
Other, miscellaneous	421	409	336	343	373	348	355	277	296	333
Willful injury of mail receptacles	896	901	981	1,019	1,165	829	847	933	922	1,123
Theft of Government funds and property	68	75	76	77	93	58	61	71	55	79
Possession of stolen checks	582	675	924	1,113	1,128	487	596	816	916	1,043
Possession of stolen goods	36	29	50	63	95	39	24	28	44	72
Fraudulent use of the mails	312	351	445	594	651	212	299	309	366	431
Lottery	6	4	11	4	11	3	5	5	4	3
Obscene mail	201	293	315	389	457	175	213	272	306	377
Poisons	9	6	9	1	3	7	7	7	2	4
Explosives	3	1	12	10	5	4	1	14	8	7
Scurrilous and defamatory matter	7	14	15	7	12	7	12	7	4	7
Extortion	27	44	29	25	35	19	31	19	21	33
Impersonation of postal employees	3	3	5	5	12		4	3	4	10
Embezzlement of funds	139	170	159	162	166	124	152	152	134	140
False claims against the United States	29	23	9	60	38	29	21	4	14	71
Forgery of money orders and postal savings certificates	292	408	411	349	432	275	331	390	334	376
Miscellaneous	144	150	137	141	160	114	98	108	108	121
Total	7,344	8,284	8,859	9,113	9,860	6,496	7,401	8,079	7,967	8,794

Mr. GARY. You may proceed with any oral statement you have.

Mr. MONTAGUE. Accompanying me are Mr. Paul Andrews, Assistant to the Chief Inspector, and Mr. Stancil Smith, Director of our Division of Internal Audit.

Our statement shows that the general trend of crime is continuing on the increase. It was up 14 percent during the calendar year 1960, and preliminary reports for the first 9 months of 1961 showed another 4 percent increase.

Your committee noted here this morning that the Post Office Department is becoming more complex all the time.

Both of these developments place additional responsibilities on the inspection service.

Measures have been taken to assure that there is no overlap between our Bureau and any other Bureau in the Department.

We have established programs in the various categories of criminal investigations and close liaison is maintained with the Department of Justice and other law enforcement agencies.

As our statement shows, the results are gratifying.

We are changing the concepts and procedures of our inspections so that they will be more responsive to management needs, and, therefore, of more value to the Department.

For fiscal year 1963 we are not asking for any additional manpower. Instead, in accordance with the wishes of this committee, and the Postmaster General, we are trying to meet our pressing needs on criminal investigations and inspections by shifting manpower from service cases.

Accompanying our statement is a workload table showing how we expect to achieve this goal.

I would like to note partciularly, that we would not be able to accomplish what we are doing were not postal inspectors working considerably in excess of 40 hours per week.

I shall be glad to answer any questions which you might have.

Mr. GARY. Off the record.

(Discussion held off the record.)

INCREASE IN POSTAL VIOLATIONS

Mr. GARY. What accounts for the startling increase in postal violations? I believe your justification states that arrests in 1962 set an alltime high record.

Mr. MONTAGUE. In fiscal 1961, that is right, sir. Also, they have increased in fiscal 1962 up to January 5 over the same period last year.

We cannot account for it except that the Post Office is growing all the time, the population of the country is increasing, and, in general, crime is increasing constantly. According to reports prepared by the FBI, based on reports they receive from police departments all over the country, the general trend is up.

Mr. GARY. To what extent is that because of an increase in population? Have any studies been made along that line?

Mr. MONTAGUE. It just seems reasonable and logical that with an increase in population you get a proportionate increase in the rate of crime.

Mr. GARY. That is true, but what I am getting at is this: Is this increase disproportionate to the increase in population or is it relatively in proportion to the increase in population?

Mr. MONTAGUE. I would say it is not disproportionate except in some categories. For example, crimes by juveniles are said to be in greater proportion overall than the general increase in crime.

Mr. GARY. That is true outside the Post Office as well as within the Post Office.

Mr. MONTAGUE. Homicides, rapes, and crimes of that type with which we are not usually faced also are on the increase.

Mr. GARY. Can you provide a table for the past few years to show the trend in postal violations by types?

Mr. MONTAGUE. With our statement we have a table showing for fiscal year 1960 and fiscal year 1961, which are the 2 latest years, arrests and convictions in each category of postal crime.

Mr. GARY. Can you carry that back and give us a table for 5 years rather than for 2?

Mr. MONTAGUE. Make it for an additional 3 years?

Mr. GARY. That is right.

Mr. MONTAGUE. Yes, sir; we will add it to the general statement.

(The table referred to may be found on p. 126.)

INSPECTION CASES IN 1961

Mr. GARY. Would you like to comment on any particular case or cases you have had during the past year on or off the record?

Mr. MONTAGUE. We have had what we consider many noteworthy cases, some of which have received considerable publicity in this area. One type involves the savings and loan cases in the State of Maryland. They are mentioned in our statement.

Also, in accordance with the request of the Postmaster General, we are giving more intensified attention to medical quackery frauds. The Postmaster General addressed a conference conducted by the American Medical Association and the Food and Drug Administration in Washington during October of 1961. In his talk he promised we would give additional attention to this type of violation.

We have had the first result of that program. An article appeared in the Sunday Star of last Sunday, January 14, by Miriam Ottenberg. It gave information about an arrest which had been made the previous day, Saturday, in Las Vegas, Nev., by postal inspectors.

The person arrested was selling an alleged beauty treatment. In fact, the product being sold disfigured a number of the operator's customers. Inspectors were able to locate 17 women who had been disfigured by the treatment.

Another area we are getting into is also a new program where we are sure we will have good results in the near future. This involves radio stations in Mexico which are broadcasting what is indicated to be fraudulent advertising to citizens in this country. The stations are very powerful, located just over the border, and they beam their broadcasts to this country.

The advertisers are people who do business in this country.

A conference was had between the Department of Justice and our people. The Department of Justice decided the mail fraud statute is the best way to attack the problem.

The FCC was brought into the picture. The FCC is monitoring these programs, furnishing us with the tapes, and we are making the investigations. We have had some of those investigations underway now since November, and we hope that very soon we will have some good results.

Mr. GARY. Off the record.

(Discussion held off the record.)

CONSUMER FRAUDS

Mr. MONTAGUE. I would like to stress that our programs for the year 1963 contemplate that we will be giving very close attention to consumer frauds of all kinds. One of the fraudulent enterprises about which you have asked us in the past, and which continues to be a program of ours, is that of the advanced fee racket where small businesses have been victimized. In such cases, a smooth operator contacts the victim, takes a downpayment promising to sell the business or get a loan for the business, and then he does not produce. We have had very good results in the program against advance fee rackets.

COMMUNIST PROPAGANDA MAIL

Mr. GARY. What is the present policy for handling Communist propaganda mail? We had some discussion on that the other day.

Mr. MONTAGUE. As mentioned here, the Presidential order in March of this year covers so-called propaganda material, but that does not in any way affect material which may advocate the overthrow of the Government. That is still covered by the law and still subject to action by customs.

Mr. GARY. Your inspection division does not get into that?

Mr. MONTAGUE. That is right.

Mr. GARY. That is handled entirely by the Bureau of Customs?

Mr. MONTAGUE. That is correct.

Mr. GARY. Do you work with customs in that field?

Mr. MONTAGUE. Not to any great extent. If called upon in any way to cooperate we would certainly do it, but that never was required, that is, as an inspection service. The Post Office did play some part in it. As explained by the Postmaster General yesterday, if such material were addressed to an individual that individual would be asked whether he or she wanted the material, and if wanted the material would be delivered. That was the only way in which the Post Office became involved.

OBSCENE LITERATURE

Mr. GARY. To what extent does the inspection service figure on obscene literature in the mails?

Mr. MONTAGUE. That is another program, as I mentioned in our statement last year, to which we would be giving intensified attention, and we have been doing just that. Last year was a record year in both arrests and convictions for violations involving obscenity in the mails. In this fiscal year of 1962 we are running some 25 percent ahead of last year in both categories, arrests and convictions, for that offense.

Mr. GARY. Who handles that?

Mr. MONTAGUE. Bureau of Customs handles it in connection with incoming foreign mail and we maintain close liaison with them and obtain information which we use in connection with our investigations covering mails in this country.

Mr. GARY. They take a great deal of this obscene material from ships coming in, I believe. The inspection of ships is up to customs entirely?

Mr. MONTAGUE. That is right.

Mr. GARY. When they detect this material they notify you, do they?

Mr. MONTAGUE. They let us know about it, yes.

Mr. STEED. A few years ago while we were on this subject a serious problem existed of people pawning off this obscene material on children. Are these cases you are now attacking in that field?

Mr. MONTAGUE. They are in all categories. If the material is a violation of the law we take it to the U.S. Attorney.

The sequence of events in this matter was: Postmaster General Day wrote the Attorney General and told him we would be giving increased attention to this particular type of violation and asked for the full cooperation of his Office.

Then in April 1961 we brought in inspectors from our various divisions and gave them training and information in this type of investigation and put more manpower into it. As a result we have had increases in the way of arrests and convictions. Regardless of whether it involves a juvenile or an adult, if the material is obscene and violates the law we investigate it and present the evidence to the U.S. Attorney.

Mr. STEED. Has any substantial progress been made to stamp out what at one time was apparently a widespread practice of victimizing children?

Mr. MONTAGUE. Based on experience, the answer to that is yes. We do not have the great volume of complaints which were coming in a few years ago, and we do not have anywhere near the volume of complaints from parents of juveniles.

Mr. GARY. How do you get at the obscene material insofar as first-class mail is concerned?

Mr. MONTAGUE. We have to rely to a great extent on complaints from the public.

May we go off the record?

Mr. GARY. Yes.

SANCTITY OF FIRST-CLASS MAIL

Before we go off the record, you are not permitted to open first-class mail unless you particularly have some suspicions with reference to that mail, are you?

Mr. MONTAGUE. We are not permitted to open first-class mail under any circumstances. The seal on a first-class letter is sacred and protected. The only ones in the postal service who can open a first-class letter are people in the dead letter office where a letter is sent if it cannot be delivered as addressed or returned to sender.

The dead letter office opens it and tries to get evidence of ownership so it can be delivered.

Otherwise it would take search and seizure warrants to seize letters and have them opened by the court.

Mr. GARY. All right, sir. You may now go off the record.

(Discussion held off the record.)

INTERNAL AUDIT PROGRAM

Mr. GARY. What is the status of the internal audit program?

Mr. MONTAGUE. May I ask Mr. Smith to tell you about that?

Mr. GARY. Yes, we would be glad to hear from him.

Mr. SMITH. Mr. Chairman, we believe that with the 112 internal auditors we are authorized we are doing a great deal of good for management. As an illustration, we worked with the postal inspectors on these savings and loan fraud cases. We had two or three of our CPA's for several months working with them and they assisted in bringing these things to a satisfactory conclusion.

Mr. GARY. How do you get into these building and loan cases? Was fraud committed through the mails?

Mr. MONTAGUE. Yes, mails were used. Our investigations actually started some time ago, in fact several years ago. This has been the building up of a situation so far as we are concerned. The mails were used in some of the advertising. They promised exorbitant rates of interest, and they also promised expensive prizes.

That brought up the question of how could so much be promised. When you look into it, you find out the reason.

Mr. GARY. It was not from stealing money coming in from the mails, then, but it was merely in the fraudulent advertising through the mails?

Mr. MONTAGUE. Advertising indicated possibility of fraud.

Mr. SMITH. We are trying our best to give our auditors as much training as we can. We have held seminars on scientific sampling methods and we have a specialist working on programs for auditing data processing systems. In general, we are attempting to use the management-by-exception process and improve the results with 112 auditors. We could not pretend to audit a department as large as the Post Office unless we use every shortcut we possibly can.

We are of the opinion that in the forthcoming year we can make some substantial contributions to better management and perhaps bring about savings by working a little more closely at the post office level with postal inspectors. We will very likely be working on some joint projects with inspectors within the near future.

I would be glad to answer any questions you might have.

FREQUENCY OF POST OFFICE AUDITS

Mr. GARY. How often do you get around to these post offices for internal audit?

Mr. SMITH. Internal audit is concentrated in the headquarters and in the regional offices and supply centers and mailbag depositories. The audit-inspections of post offices are made by the postal inspectors. We work with them, review their procedures, and we try to see that the audit-inspections are technically adequate and whether the best auditing techniques are being used.

The postal inspectors on an average get into post offices on audit-inspections once a year.

Mr. GARY. It is done by postal inspectors but the postal inspections are under your division, are they not?

Mr. MONTAGUE. The Internal Audit is a Division in the Bureau of the Chief Inspector.

Mr. GARY. That is what I meant. What do you mean, Mr. Smith, is that they are not made by the employees of your Division?

OVERLAP IN WORK OF INSPECTORS AND AUDITORS

Mr. MONTAGUE. In order to prevent any duplication of effort, the internal auditors concentrate their attention at the departmental level in the bureaus of the Department here in Washington and in the regional offices, principally in the regional controller's office where they have the payrolls, where they make payments for transportation, and so on. The inspectors concentrate their audits and inspections in the post offices.

There is coordination, when the inspector finds something in the field in the post office which needs attention at the regional office, a copy of the report goes to internal audit so that they can give it attention at the regional level.

On the other hand, if internal audit finds something in the regional office which needs attention in the field that information is referred for attention by an inspector, so there is no crossing over and there is no duplication involved.

Mr. GARY. You are sure of that?

Mr. MONTAGUE. Yes, sir.

OVERLAP IN WORK OF INSPECTORS AND STATION EXAMINERS

Mr. GARY. I have had a postmaster tell me that whenever the inspectors make an internal audit of the post office that a person connected with the post office goes with him to make this inspection.

Mr. MONTAGUE. He is a station examiner.

Mr. GARY. He goes with them to make the inspection. The postmaster said he would get a report from the station examiner telling him of any imperfections or recommendations for change which might be made. He would make the corrections on the basis of the station examiners report.

Then shortly thereafter he would receive a report from the inspector covering exactly the same ground.

Then a little later on he would receive a report from the regional office covering the same ground, long after all the corrections had been made. That appeared to be duplication. We discussed it once before, I am not sure whether it was last year or the year before that.

Mr. MONTAGUE. We discussed it last year. That would occur at an office where there is a station examiner, and it is done that way to prevent duplication.

When the inspector makes his inspection of a station he takes the examiner in with him. He observes the manner in which the examiner makes the cutoffs and counts the cash to be sure the station examiner is operating in the proper way.

Then the inspector goes on and gives attention to other things, such as the mail handling, what the carriers are doing, features which the station examiner normally would not give attention to.

When the report is submitted, the station examiner submits his report as he ordinarily would on the financial items.

If there is anything else the inspector has noted which the station examiner did not cover, the inspector would report that.

There would be no reason for the region to become involved unless there was a bad condition they wanted to call to the attention of the postmaster or unless they wanted to commend the postmaster for good operation of that particular station.

I can assure you from actual work in the field and experience that there is no duplication in that situation.

DIVERSION OF INSPECTORS FROM OTHER THAN CRIMINAL WORK

Mr. GARY. Have you taken inspectors entirely out of the management field?

Mr. MONTAGUE. You will perhaps be informed later that the regions are in the process of taking over survey work and certain other servile work. It is because they are doing that that we hope to get a 6-percent diversion of manpower from service work to criminal work. If that were not being done, we would not be able to divert manpower.

INTERNAL AUDIT BENEFITS

Mr. GARY. What actual benefits are you deriving from these internal audits? Are you catching many irregularities?

Mr. SMITH. I would say that our greatest benefit is in improving management. Another illustration is in the number of hours worked by hourly rate substitutes. We brought this to the attention of management in 1957. We pointed out in the audit of one of the regions how some men were working excessive hours, twice as many hours as the average person should work, and through constant tightening up I believe that conditions today are quite improved. Many of these men have been made regulars and the hours are much more closely regulated. We think there were large savings with the cutback on excess hours of these substitutes because they could not have been productive for the number of hours they were working.

Mr. GARY. They were also paid time and a half for overtime, were they not?

Mr. SMITH. Not hourly rate substitutes.

We think we have also contributed a great deal to the procurement field. We have done all of the auditing of cost-type contracts. We think we have strengthened the procedures for negotiation of contracts. I believe management generally thinks that the internal audit program is paying off.

Mr. NICHOLSON. I think I can speak as a satisfied user. The Bureau of Finance is a subject of the audits made by the internal audit. I believe perhaps no one is really pleased to have the kind of careful scrutiny that the internal audit turns on an operation, and therefore I should not say I am really a "satisfied user." However, our finding is that to the extent the internal audit is able to do financial audits, and this is an important part of their work, the findings and methods they apply in that work have been of real benefit to us both in headquarters and in the regional controllers' operations, in enabling us to refine our procedures, do work more accurately, do it on a more timely basis, and to have it well integrated into a cohesive system.

The insight, objectivity, and general competence of this group has been of great aid to us in financial operations.

Mr. GARY. Mr. Steed, do you have any questions on the inspection service?

PUBLIC ALERTED TO FRAUDS

Mr. STEED. In your comment concerning the program of enforcement in the criminal field you referred to some of the deception and fraud which has been present recently.

Does your activity enable you to get evidence for actual prosecution in court and to alert the public generally to be on guard against some of these things?

Sometimes an alert public would do as much good as actual prosecution, would it not?

Mr. MONTAGUE. That is right. We do have a so-called Enforcement Bulletin which is published and disseminated to better business bureaus, and other people in law enforcement, to persons who might be interested in this type of crime, and it lists the cases in which we have had convictions within the past month. It gives the particulars of those frauds so others are alert to what we are doing and the types of fraud which are in existence.

Mr. STEED. That is all I have, Mr. Chairman.

Mr. GARY. Mr. Conte?

Mr. CONTE. I have no questions.

NO INCREASE IN INSPECTION PERSONNEL

Mr. ALEXANDER. I believe you are not asking for any additional people this year, is that right?

Mr. MONTAGUE. That is right, sir.

INCREASE IN WORKLOAD

Mr. ALEXANDER. Yet you do have an increase in the number of investigations and the number of reported crimes and things that need to be investigated. That is up about what percentage?

Mr. MONTAGUE. Our arrests at the moment are running about 3 percent above last year. Our convictions are running about 4 percent above last year. That will give you some idea.

The workload statement shows that in 1961 we had a workload of about 124,000 cases on criminal investigations. According to our best estimates there would be about 132,000 in fiscal 1962. That would be an increase of approximately 6 percent. We expect it will increase about the same percentage in 1963.

ARRESTS AND CONVICTIONS

Mr. GARY. Will the gentleman yield?

Mr. ALEXANDER. Yes.

Mr. GARY. In this table you referred to on arrests and convictions on page 18 of your statement, which has been inserted into the record, you show on poisons that you had 3 arrests and 4 convictions, on explosive you had 5 arrests and 7 convictions, and on false claims against the United States you had 38 arrests and 71 convictions. How do you get more convictions than arrests.

Mr. MONTAGUE. They would be court cases carried over from prior years. We may complete the investigations, give the U.S. attorney all the evidence this year, but because of crowded court calendars he may not be able to get to actual trial for perhaps 2 or 3 years. So that you always have a lag in convictions as related to arrests.

Mr. GARY. In other words, take the case of obscene mail with 457 arrests and 377 convictions. That does not necessarily mean that you had 377 convictions from the 457 arrests that you made.

Mr. MONTAGUE. That is right.

Mr. GARY. But the 457 represents the total arrests made during the year 1961 for obscene mail cases, and the 377 represents total convictions during that year regardless of when the arrests were made; is that correct?

Mr. MONTAGUE. That is correct. Some of the arrests represented in those convictions would have been made in prior years.

Mr. GARY. On the other hand, some of the convictions that will be made from these arrests will be reflected in subsequent years?

Mr. MONTAGUE. That is correct. The significant thing to us is that in our cases brought to trial we had a conviction rate in fiscal 1961 of 99.1 percent. In 1962 it is running 99.7 percent convictions. It is the highest we have ever had.

Mr. GARY. That is an excellent record and shows that you are not just going out trying to make arrests, but that you do not make arrests unless you have very good grounds for it.

Mr. MONTAGUE. Yes, sir.

Mr. GARY. Thank you.

INSPECTORS TURNOVER AND EXPERIENCE

Mr. ALEXANDER. How much turnover do you have in your postal inspectors?

Mr. MONTAGUE. We have a reference to that, Congressman Alexander, in our statement under "General administration." It is less than three-tenths of 1 percent.

Mr. ALEXANDER. That is certainly a very good record. What would you say the average number of years of experience your inspectors have?

Mr. MONTAGUE. Without making an analysis of it—are you talking about experience in the postal service?

Mr. ALEXANDER. As inspectors.

Mr. MONTAGUE. It would run about 15 years as inspectors.

INCREASED COST IN INSPECTION SERVICE

Mr. ALEXANDER. I noticed that the costs of the operation of your office have gone up in spite of the fact that you are not asking for more people. Briefly, what is that for?

Mr. MONTAGUE. The greatest part of that is because of mandatory step increases in the salary grades under Public Law 68 where we have seven steps.

Mr. ALEXANDER. I want to congratulate you on doing a good job. This is one field in which I have never had any complaints from my constitutents, and yet I have had a number of cases in which postal inspectors were involved. They have always done a good job.

Mr. MONTAGUE. Thank you, sir.
Mr. CONTE. Mr. Chairman.
Mr. GARY. Mr. Conte.

INSPECTION SERVICE BACKLOG

Mr. CONTE. What is the backlog on these cases? Is there much of a backlog of cases pending?
Mr. MONTAGUE. Regular cases?
Mr. CONTE. Criminal cases.
Mr. MONTAGUE. At the end of any given accounting period, we would have about 45,000 cases open, miscellaneous cases. That is, cases of all types, not including inspections.
On the basis of work accomplished in an accounting period, that would be about a 6-month backlog. In other words, if we did not jacket another case, we would have enough work to keep the inspectors busy for 6 months. If you want to take that in man-years, it would be about a half year, half of our force, or about 500 inspectors, if you wanted to bring your work current.
Mr. GARY. With that backlog, when you have a complaint, about how long does it take you to get a man to the scene to investigate the complaint?
Mr. MONTAGUE. That depends on the nature of the complaint. If it is a criminal matter which should have immediate attention, then it gets that attention. If it is the type of complaint where 2 or 3 weeks or a couple of months will not make any difference, then we can let it stay for that time and do it in conjunction with other work. This is where we save time, by having our man in the field in a domicile. He makes his inspections and he has his miscellaneous cases. If he has two or three cases in a certain locality, he can go out to that locality, make his inspections, and at the same time investigate these cases. That is, when a case does not require immediate attention, his plans can be made that way. It is very efficient and money-saving to be able to do it.
Mr. GARY. Are there and further questions? Thank you, Mr. Montague.
Mr. MONTAGUE. Thank you, sir.

OFFICE OF RESEARCH AND ENGINEERING

Mr. GARY. We will next take up the Office of Research and Engineering. I believe Mr. Harriman has a statement as Director of the Office of Research and Engineering.

GENERAL STATEMENT

We will insert your biographical sketch and your prepared statement in the record and you may proceed.
(Mr. Harriman's biographical sketch and general statement follow:)

AUTOBIOGRAPHY

Edward Eugene Harriman was born at Berwick, Maine, and received his B.S. degree in mechanical engineering in 1944 and a master of science degree in 1950 from the University of New Hampshire at Durham. As a Sloan fellow, he re-

ceived another M.S. degree in industrial management from Massachusetts Institute of Technology in 1957 and has completed considerable work at Catholic University, Washington, D.C.

Mr. Harriman brings to the Post Office Department a wide background of Federal experience as a career engineer with a distinguished Government scientific record, including work on the satellite program. Just prior to his appointment as Director of the Office of Research and Engineering, he was Chief of the Satellite Branch, Advanced Research Projects Agency, Office of the Secretary of Defense. He was responsible for the technical management, administration, control, finance, and direction of assigned satellite projects and was the Agency's recognized specialist in the field of military application of outer space exploration. In addition, for several years he was the Executive Secretary of the Scientific Advisory Committee to the Secretary of Defense. Most of his time since 1946 has been in Federal scientific work in the Washington area except for periods of advance study. He has received numerous citations, including the Federal Superior Achievement Award.

He is the author of several publications and is a member of numerous professional and technical societies. He is also a registered professional engineer in the State of Maine and the District of Columbia.

In June 1949 he was married to the former Jean C. Buescher and they have two children, Linda Lee, age 9, and Robert Kirk, age 6. They live at 2 Holiday Drive, Wellington Heights, Alexandria, Va., where he has been active in community and civic association work.

General Statement of Edward E. Harriman, Director, Office of Research and Engineering

I. RESEARCH AND DEVELOPMENT PROGRAM EVALUATION

Upon my appointment as Director of Research and Engineering, the Postmaster General asked me to review the research and engineering activities of the Post Office Department and to recommend to them a sound, well-balanced program with no gadgetry or gimmicks, with emphasis on those areas where mechanization can contribute the greatest. Our 1963 program is based on these principles.

Our efforts are channeled in two main areas—improvement in the physical plant and the installation of equipment to assist the postal worker in performing his tasks.

The postal complex consists of more than 35,000 post offices. In the overall, our present plant is woefully inadequate for our workload by modern day standards. To exemplify this condition, more than half of the Nation's mail volume is handled in the 60 largest post offices. The average age of these 60 offices is 37.5 years. Thirteen of these facilities are more than 50 years old. Work is either scheduled or underway to replace 21 of these facilities.

Our second, and concurrent, area of attention concerns the tools made available to the postal worker for performing his task.

Today, we have a total work force in excess of 580,000 employees. We have a total investment in equipment valued at about $400 million, which includes the vehicle fleet. Thus, for each employee, we have an average investment in tangible equipment of about $700. In the manufacturing industries, the equipment investment per worker has grown steadily over an extended period of years to several times the $700 figure now.

The present national population from the Census Bureau is about 184 million. By 1970, it is expected to be 215 million; by 1980, 260 million. Our forecast is that the mail volume will rise from its present level of 66 billion pieces to 90 billion by 1970 and 125 billion by 1980.

In the past, as the mail volume increased, the manpower to handle it increased and the total postal cost increased at an even greater rate. During the 20-year period since 1940, our mail volume rose from 27.7 billion pieces to 63.7 billion pieces, an increase approaching 2½ times; our operating costs rose from $809 million to $3.9 billion, an increase of almost five times. The revenue deficiency in each of the past 2 fiscal years exceeded our total operating budget for 1940. If postal technology were to remain unchanged, and if our past cost experience were to continue, our budget requirements for 1970 and 1980 would attain an appalling level.

Since the advent of our research and development program, our investment in the development of improved equipment has averaged less than two-tenths of 1 percent of our operating budget. For the nonmanufacturing industries (those engaged in communications, transportation, etc.) an investment in ways and means to improve operating methods represents approximately eight-tenths of 1 percent of the sales dollar. In the manufacturing sector the investment in research falls into a higher range averaging 3.3 percent of the sales dollar, with a maximum attaining 17 percent.

The buildings and tools to perform our enormous task have been inadequate for decades. Our workload and costs are growing at an alarming and predictable rate. The cost trend can be stemmed by modernizing our plant and equipment. We look to our construction and research and development program to meet our urgent needs, both present and in the future.

II. RESEARCH AND DEVELOPMENT PROGRAM OBJECTIVES

I know the Congress feels that major emphasis should be placed on those areas where efficient mechanization could contribute the greatest. So do we, and our program is based on this philosophy.

In a sense, the postal research and development program is all long range; its major purposes being the development of an integrated nationwide system designed, and operated, to provide the best possible mail service to the public at the lowest possible cost, and to maintain that level of service. Even so, there are certain objectives that we consider to be short range, or immediate.

Our short-range objectives are—

1. To reduce the movement of mails by handtrucks, castered hampers, castered tables, hand-carried trays, etc., by providing suitable power-operated materials handling equipment, conveyors, and containers.

2. To develop as soon as possible individual machines for performing such operations as mail culling, facing and canceling of letter mail, and sorting of letters, parcels, and full sacks of mail. To make such machines available to replace manual methods for individual processes to realize manpower savings wherever possible while developing more advanced machinery and procedures for fully integrated systems.

3. To facilitate the collection and delivery of mail by such immediate means as providing more suitable vehicles, including very lightweight vehicles to operate at very low cost for use on many delivery routes being served on foot, and developing equipment to get the load "off of the backs" of carriers on routes continuing to be delivered on foot.

4. To improve service to the public in post office lobbies by providing equipment to facilitate performance of the "window" services by postal employees, and by making it possible for patrons to obtain stamps, postal cards, envelopes, etc., at any time of day or night, through the development of coin-operated vending machines.

5. To complete the development of technically, operationally, and economically feasible procedures, equipment, and machines adequate to establish complete facility systems, both internal and external, of any size required based upon the work that must be performed at each facility.

Our long-range objectives are—

1. To complete, in cooperation with the other bureaus and offices in the Department, the development of a nationwide integrated postal facilities systems network utilizing the best methods, plant, and equipment that can be provided for performing their activities, and linked together by the best available means of transporting mails.

2. To keep abreast of technological developments in fields applicable to postal activities, and to carry on a continuing program of improving and updating procedures, equipment and systems to maintain the most efficient possible service system.

3. To indoctrinate the postal service in modern systems operation and management techniques through a gradual introduction of processing equipment and its normal environment. This would include development of management and maintenance personnel as well as a new line of technicians.

Although we cannot with certainty name the completion date for this work, we firmly believe that we can, and will, accomplish very substantial reductions in the total time required to perform all functions necessary between

point of origin and point of delivery, so that all kinds of mail will be delivered more expeditiously than is now possible.

We know that we can increase the productivity of the individual employee, by providing him with the most modern machinery, so that the number of pieces of mail he can process each day will be substantially increased while his job will be less tedious and physically tiring.

We cannot predict now the extent of increased productivity that may be attained within any given period, nor do we expect to reduce the total cost of operating the postal service below the actual dollar cost experienced currently, but the inevitable effect of increased productivity will be lower unit costs and a constantly increasing efficiency factor. Mail volume increases will require progressively less additional money to handle them than they do now.

III. THE "SYSTEM" APPROACH—THE FMC PROJECT

Separate pieces of equipment, useful by themselves, can contribute more to efficiency when they are integrated in a cohesively designed system in a post office.

A post office, equipped with such a system, also can contribute more to efficiency when it is incorporated in a plan that organizes the mail handling and transportation elements in a cohesively designed system interconnecting the separate offices. Here we are talking about a degree of sophistication that is somewhat longer range but one that can be reached by today's operations research techniques and advanced electronic equipment.

Our immediate objective is the development of the post office—of a complete internal facility system for processing mails of all types and sizes, using the minimum necessary manual effort, from receipt at the facility to dispatch to other cities, or transfer to stations and branches. This is the FMC project.

Under this project all machine units developed to date, and all commercially available types of machinery that may have an application, have been or are being examined for possible use as components of the facility system. New machine components are being developed as determined to be necessary considering engineering, economic and operating feasibility, and total system compatibility. Development work completion target date for this project is March 1964.

Upon completion, this system will represent a maximum state-of-the-art facility mechanization design using modular components adaptable to a wide range of facilities of varying sizes.

IV. OTHER SPECIFIC PROJECTS AND PROGRESS

1. A potentially satisfactory first-stage culling machine has been developed. Sixteen have been ordered for field installation and test by the end of calendar year 1962. Meanwhile, a second-stage culling unit is under development to receive the output of mixed letter mail from this first-stage machine, separate the machine-cancelable letters from nonmachinable mail, and automatically feed the letters into facing-canceling machines. The first model of this machine is now being tested in our laboratory. Our target for completion of laboratory and field tests and preparation of detailed drawings and specifications for competitive procurement of the combined two-stage culling equipment is September 1963.

2. We are now using a semiautomatic letter facing and canceling machine of a proprietary design that operates at a reasonably satisfactory rate using optical sensing, capable of approximately 2½ times the productivity of the manual methods it replaces. We have done a considerable amount of work toward developing techniques for "tagging" stamps and printed postal indicia to permit virtually unfailing recognition and have initiated studies to determine the feasibility of invalidating postal indicia without actual contact. Development of a higher speed, more efficient facer-canceler of advanced modular design has been started. This machine will be designed to permit future changeover to sensing of "tagged" indicia and noncontact invalidation.

3. An operational keyboard-controlled letter sorting machine has been developed and three pilot production models have undergone extensive field testing. Twenty-eight such machines, improved on the basis of the field tests, are being installed in the new Detroit facility. With this accomplishment, we have a basic letter sorter, lower priced and superior to European designs, and with flexibility to accept future adaptations. Detailed drawings and specifications are now being brought up to date, and all major new postal facilities will be equipped with letter sorters as standard mechanization items.

We have developed a laboratory model of code-controlled letter sorting machine with automatic code reader and electronic directory. Many codes, or methods of translating addresses into codes, have been devised and checked by mathematical simulation. Considerable work has been done on the development of coding keyboards and consoles, with special attention to human engineerng for maximum operator efficiency and comfort. Methods and test equipment have been developed for applying codes to envelopes using both magnetic and phosphorescent inks. This represents very substantial progress on the second step toward development of automatic letter sorting. Nevertheless, much development work remains to be done. Laboratory tests must be evaluated and any necessary design changes must be made. The equipment must be engineered for manufacturing by quantity production methods. Through extensive testing, the better of the coding systems must be selected, development of a satisfactory operator coding keyboard and console must be completed, and a satisfactory technique for imprinting codes must be chosen. We have set January 1965 as our target for completion of this step in automatic letter sorting machine development.

The third and ultimately most satisfactory step in automatic letter sorting systems and equipment lies in the development of automatic address reading machines. We have developed a laboratory model of a reader with the necessary recognition criteria, logic, and programing to read all 50 State names, and their most common abbreviations typed or printed in the most commonly used type styles. While this project is essentially long range, under present contracts we expect that a machine with limited but useful capabilities, suitable for operational use, will be available in about 2½ years.

4. Started development of equipment to remove letters automatically from sorting machine output receptacles, label and tie letters in bundles, and sort bundles to proper dispatch pouches: This project is in its early stages. An automatic labeling device, and equipment for sorting bundles to dispatch pouches are still to be designed. Our present estimate of time required to produce the first operating equipment to perform these functions automatically is approximately 3 years.

5. Completed development of the "mail-flo" equipment for moving letter mails from primary sorting areas to sequential processing areas automatically: This was one of our first developments, and many improvements have been made since the initial installation. Present development work will improve mail-flo even further by providing a method of "writing" the desinations on mail-flo trays by means of a keyboard, instead of manually exchanging coded destination cards, and by providing automatic proximity readers to actuate improved diverters.

The mail-flo principles are being adapted to provide transport between processing areas in the mechanized handling of mail wherever practical, and pending development of continuous flow techniques for linking individual machine components in internal facility systems. We anticipate that development of techniques and equipment for continuous flow from facer-canceler to final sort machines will require about 2½ years, and we have set a goal of January 1965, based upon starting this work early in fiscal year 1963.

6. Developed keyboard-controlled parcel post and sack sorting machines: Our first experimental keyboard-controlled parcel sorting machine installation was completed in 1957. Knowledge gained therefrom enabled us to develop improved equipment, and the later types of machines have been, or are being, installed in 12 post offices as part of our mechanization program. Development and laboratory testing have been completed on another type of parcel sorting system that affords more complete mechanization in that it provides for secondary sorting by machine, in addtion to primary sorting, and includes automatically indexing sack racks at the secondary output to facilitate the sacking and dispatch of parcels. The first field test installation of this type of equipment will be made at Miami, Fla.

Keyboard-controlled sack sorting machines are now standard items of mechanization and will be installed in all major new postal facilities. Two of these will include newly developed features for the automatic accumulation of sacks and their subsequent automatic induction into the sorting mechanism with precise indexing of memory timing devices for diversion at correct output points. This latter feature is also being incorporated into two of the new parcel post sorting machines.

It is anticipated that the parcel sorting equipment can be modified to incorporate code-controlled sorting in the future. We have set a target of June 1967 for code-controlled parcel sorters.

7. Such special purpose vehicles as the "Mailster" and the sit-stand drive "Courier" and carts have been standard equipment for some time now. We believe that the areas of mail collection and delivery can be further improved from the standpoints of cost, efficiency, and public service through the development of new techniques. Studies to define potentially feasible techniques and equipment are scheduled to begin early in fiscal year 1963. We visualize a collection system utilizing standardized containers for different types of mail. Such containers would be compatible with internal systems equipment, and would be furnished to large volume mailers. Street letter boxes and office building chute terminal boxes will be designed with compatible removable containers, and mechanical arrangements for positive stacking of letters. Improved delivery techniques will include standardized portable equipment for vehicle interiors to permit loading of completely sequenced mail of all types without the necessity for strapping or otherwise bundling in route segments. Improved methods for setting up and placing relays for foot routes will be worked out on the basis of analysis of requirements.

This total project may require some 10 years to complete to the point where techniques and equipment entirely compatible with internal processing systems will be perfected and integrated.

8. Developed improved hampers, handtrucks, modified forklifts, hamper dumping device, portable conveyor units, mail trays, tray carts, and a variety of small manual aids for handling mail. Equipment for automatically weighing and counting mail to provide supervision with accurate data on the volumes and flow of mail has been developed. The first test models of this equipment are presently being modified for further testing. This equipment will enable supervisors to make the most efficient use of manpower and equipment.

We have no timetable for completion of this area of effort. Rather, it is a continuing program for development of any and all kinds of miscellaneous devices that can aid employees and supervisors and improve their working conditions and efficiency.

9. Developed, modified, or otherwise provided key-controlled change dispensers, key-operated stamp dispensers, and lever-actuated print-punch money order issuing machines for use of personnel at service windows. Developed and made available coin-operated, change-making, stamp-dispensing machines, and separate coin changers for the convenience of patrons: This equipment enables patrons to obtain stamps at any time the post office lobby is open whether service windows are open or closed. A field test of patron-operated dispensing equipment is scheduled during 1962, including eight machines equipped to accept $1 and $5 bills. We think definite conclusions will be reached by June 1963.

Research and Engineering Programs

Mr. Harriman. Mr. Chairman and committee members, it is a real pleasure for me to be here today officially for the first time before you. I enjoyed very much our trip to the Food Machinery & Chemical Co. last year. I might say this gave me a very firm foundation on which to start the work with my own in-house people..

I brought along with me Rex Landis, Deputy Director, and Clyde Stone, Assistant Director for Programing and Control.

Just as a little background in order to help bring us up to date in regard to the situation that has developed since I have been with the Post Office. General Day and Mr. Brawley asked me, when first coming aboard, if I would take a look at the total research and development program then existing in the Post Office, eliminating any gadgetry or gimmickry associated with it, and come up with a sound program looking toward the future. This we have done, and we have broken down our goals for this coming year into two areas. First is the improvement of the physical plant and second is the engineering of equipment to assist workers to perform more efficiently, thus having the greatest impact on the future economies of the Post Office.

As stated in some of the comments yesterday, we presently have about 35,000 post offices. Sixty of these major post offices handle over 50 percent of the total mail in the United States. The average age of these 60 largest post offices is in the vicinity of 37½ years. Thirteen of those post offices are more than 50 years old. In the program we have before us for this coming year we are going to attempt to have 21 of these major facilities underway in terms of designing new facilities and acquiring the land, designing the building, and getting them introduced into the system.

Going back into history as a basis for our future action, the Post Office presently has 580,000 employees. The 1961 census shows there are about 184 million people. They predict that in 1970 there will be 215 million people and by 1980, 260 million. I quote these figures and then relate them to our current mail volumes and workloads. We have 65 billion letters a year in the United States now. We estimate that by 1970 we will have 90 billion letters and that by 1980 we will have 125 billion pieces of mail.

Comparing this to the 1940 mail volume, which was only 27.7 billion pieces of mail, and the total cost of operating the Post Office in 1940 of approximately $808 million whereas the cost for the fiscal year 1961 will be in the vicinity of $4 billion.

We have taken all this into account and looked at the mechanization that we should develop and the research and development programs that should be undertaken to best assist the Post Office in developing more economical ways of handling the mail, more expeditiously, taking the advice which we have received over the years from this committee to connect different pieces of equipment together by the simple state-of-the-art equipments available in industry now, thus reducing handlings and delays between handlings. Of course, as those of you who were at the FMC project last year know, you saw the initial attempt in that area. We have been making very good progress since that time, and we hope that when the year is about up we will be able to take you back there again because we have real significant progress to show you.

On behalf of research and engineering, we appreciate the increased emphasis you have given to O.R. & E. along the way. We have totaled the equipment purchased by the Post Office to date and note that it is in the vicinity of $400 million. Divide this by the number of employees, and you arrive at a capital investment per employee of less than $700.

In general, the amount of equipment purchased per individual runs in excess of $2,000 per man in most industrial companies as compared to our figures of $700 per man.

As a comparison to the total budgets during recent years, our investment in the research and development program represents less than two-tenths of 1 percent. It represents a figure that is lower than any industrial comparison. For example, in the nonmanufacturing industries such as communications, telephone, and so forth, their budgets run in excess of eight-tenths of 1 percent. It is the lowest figure shown in any industrial category.

In the manufacturing industries, 3½ to 5 percent is the minimum, and many manufacturing industries go up to 17 percent of the total operating budgets for their research and development expenditures.

Taking this into account, and having the Post Office Department's evaluation of where are we now and where are we going, we have decided that the state of the art of mechanization, which is available from industry, will be applied to our new major facilities as they come down on the schedule during the remainder of this year and during the fiscal year 1963.

An example of the effect of this would be that during the fiscal year 1962 only 8 major facilities have been scheduled, whereas, nearly 20 will be scheduled for selection of the architect engineering firms, determination of criteria, and beginning of the design of the building for a total at end of fiscal 1963 of some 46 major facilities that will be under development within the Post Office Department. I think that this is a measure of the growth of the emphasis that is being placed by Mr. Day, Mr. Brawley, and this postal administration on modernization and mechanization.

LETTER SORTING MACHINES

Mr. GARY. How many Burroughs sorting machines do you now have in operation?

Mr. HARRIMAN. In clarification of the definition, I would like to say the Burroughs machinery per se, the specifications developed under the Rabinow contract originally, we have 10 of those all told. Most of them are in Detroit. We have one in Washington and one in Flint, Mich. The letter sorters in Detroit have just started their final shakedown. During the Christmas rush we are most pleased to report that over 54 million letters passed through seven machines which were operational in Detroit over the Christmas holidays.

Mr. GARY. Is that the best machine you have now?

Mr. HARRIMAN. The answer to the question of whether it is the best machine, in terms of economic development and in terms of future investment in being able to design into letter sorters the coding of mail and other advantages, the answer is "Yes." We do have under test and evaluation now a single-operator machine known as a Keytronics machine.

Mr. GARY. Who is making that?

Mr. HARRIMAN. Universal Business Machines Corp. We have had two of those under test for several months in Baltimore. It is an operator-paced machine. As the operator pushes the keys, he determines the speed of the machine. It has the advantage of having 50 pockets, which is the same number of separations as are used as the case in hand sorting method, and very little training is required for the operator to operate this machine. It is not competitive with the Burroughs inasmuch as the job it does, sorting to 50 pockets, is a simple scheme, whereas, the more thoroughly engineered and designed Burroughs machine can sort to as many as 300 pockets, or we can simplify these schemes down to the most economical number as we get into the field and get to studying such problems as total training time, total cost of machine, total orientation.

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Mr. GARY. How many foreign machines of this nature do you have in operation now?

Mr. HARRIMAN. We have 12 Bell machines in this country. We have one Transorma out in Silver Spring, Md. Up in Providence, 11 letter sorters are foreign machines.

Mr. GARY. How do they compare with the Burroughs and the other machines?

Mr. HARRIMAN. In answer to that, I would say that the engineering and design work which has been done in this country is very outstanding. The cost per operator position of our present Burroughs machine, the present specifications we would go out for contract with, is a 60-percent reduction in cost of each operator position compared to the foreign equipment which we have purchased to date.

Mr. GARY. What are your future plans as to those machines?

Mr. HARRIMAN. The Department has had under study now since last July the determination of the future of letter sorting machines. Just recently we have an agreed departmental policy, approved by the Postmaster General and the Deputy Postmaster General that letter sorting machines will be called out for those major facilities that justify them in the cost evaluation of criteria for what the machine will do in terms of total volumes of mail and make a payout which is more profitable than handling by manual means.

Mr. GARY. Have you reached a conclusion as to where that would fall, in how many offices it would be desirable to operate a machine?

Mr. HARRIMAN. I can give you a tentative conclusion on that.

Mr. GARY. I did not want it exactly, but have you set any standards so far as to what offices they would be used in?

Mr. HARRIMAN. The criteria would spell out letter sorters only for our largest offices that have receipts of over $3 million a year. Major facilities such as the new post office in Oakland, the new South-Postal Annex in Boston, and those major facilities that have a large volume of work where the maintenance, supervisory, and other cost could be spread among several machines, so that you do not have the disadvantage of one man being on full-time watching the machine where actually only a small part of his time would be required.

Mr. GARY. How many offices would that be?

Mr. HARRIMAN. Within the fiscal year 1963, it would be no more than five or six.

Mr. GARY. Additional?

Mr. HARRIMAN. Additional new major facilities that warrant letter sorting machines under our recently established criteria. These are the large major post offices.

Mr. GARY. Eventually how many offices do you think these machines would be used in?

Mr. HARRIMAN. If one takes the liberty of what "eventual" is, I would say that the criteria as we currently have it and the state of the art of the development of machinery this equipment would be limited nationwide to approximately 60 offices, which would be the 60 major offices that handle 50 percent of the total mail in the United States.

Mr. GARY. How many machines would you operate in those offices?

Mr. HARRIMAN. This would be determined upon the volume of mail processing through the facilities, and we would put a minimum on the number of machines, which would be not less than two machines ever called out in one installation. This we have learned on the basis of our experience to date, both in Washington, D.C., Flint, Mich., and Silver Spring, Md.

Mr. GARY. I am getting at approximately the number of machines that you would have in operation. That is, letter sorting machines, throughout the system.

Mr. HARRIMAN. I would guess that over the total installation of machinery ever to be called out, looking 10 years in advance, it would be in the vicinity of 400 to 500 machines. We have 28 letter sorters presently installed and on order in Detroit.

Mr. GARY. I think your first contract called for 10 machines with Burroughs, did it not?

Mr. HARRIMAN. Yes, it did.

Mr. GARY. Have you increased that contract and ordered more machines?

Mr. HARRIMAN. Not from Burroughs. We have some additional ones in Detroit procured from Cadillac-Gage, which were manufactured to the same specifications.

Mr. GARY. Are you permitted to use the machine that has been worked out by Burroughs, and have them manufactured by other companies?

Mr. HARRIMAN. Yes.

Mr. GARY. There is no patent on the Burroughs machine that would keep you from having them manufactured anywhere?

Mr. HARRIMAN. No. The original Post Office contract with Burroughs was for the development of the specifications and drawings which could be used for competitive bidding with industry throughout the United States.

Mr. GARY. I believe your contract with Burroughs called for 10 machines for $2 million; is that right?

Mr. HARRIMAN. This is approximately right.

Mr. GARY. I am speaking in round figures. How is the subsequent bidding working out? That would be approximately $200,000 per machine. As it is developed, those machines should be a good deal cheaper. What are they costing you now?

Mr. HARRIMAN. The estimated figure for procurements of any quantity in the future would be just a little in excess of $100,000 per machine.

Mr. GARY. I assume that they are continuously improving those machines like they are automobiles and other mechanical articles.

Mr. HARRIMAN. Yes, sir. As a matter of fact, from the time we let the contract for the 10 Burroughs machines that you are referring to, we have let subsequent contracts for improvements to those machines. I would like to mention one item of improvement to you. With the letters passing through the machine at the same rate they were passing before, a new improvement allows the letter to be in the visual range of the operator for 30 percent longer. He can then have 30 percent longer to press his keys and put the information into the machine, regardless of what rate of speed the machine is operating at. This is a great improvement itself and allows the operator that much more time in which to make up his mind and act.

MACHINE OPERATORS IN PROVIDENCE

Mr. GARY. How did you work out the operator situation in Providence? You were having a lot of trouble with that as well as I recall.

Mr. HARRIMAN. We did have a lot of difficulty up there at the beginning, but it has settled out very nicely now. We are no longer having the difficulty. Originally when they started the training program, they had a number of career employees who were not tested for aptitude for this type of work. They would go through the training program only to find they were dissatisfied when they actually became key operators.

We have now, working with the Civil Service Commission and others in the region, an aptitude test which is applied to present postal employees and to people from outside who are applying for jobs. They are given a training program. From that group the turnover has been very, very low. It is practically negligible.

Mr. GARY. I am glad to hear you have changed that situation because that has been one of the faults in the Post Office Department for a long time. When we first put in the electronic machines for handling money orders, I remember our committee went up to New York to inspect it. We found that in operating these machines, which were operated on a keyboard system, it had been considered a lush job in the Department and, therefore, they selected the operators according to seniority rather than adaptability. Consequently, they had a lot of the older employees sitting down there whose fingers were too stiff to develop any speed at all. They were getting rid of highly trained and very good clerks and putting them in jobs that they were not at all fitted for and paying them at the high bracket, whereas, the ordinary key operators in other governmental departments were being paid at a much lesser rate and were much more efficient.

That was worked out in New York after our visit. I am glad to know you are adapting these new methods to the people rather than just using the seniority system in determining operators. It seems to me that is very important in these new gadgets.

Mr. HARRIMAN. This takes advantage of the know-how of the personnel department, both departmentalwise and in the region, and full use of the Civil Service Commission in applying these latest means of selecting people.

There are 11 Bell letter-sorting machines in the Providence post office. The criteria applied to determine when an operator is sufficiently well qualified to go on a machine is that he would handle 50 letters per minute at a 98-percent efficiency.

NUMBER OF SORTING MACHINES AT PROVIDENCE

Mr. GARY. You have 11 machines up there. How many do you need?

Mr. HARRIMAN. Seventy-some operators. There are six operators per machine.

Mr. GARY. You do not need all of those machines and operators to handle the situation in Providence, do you?

Mr. HARRIMAN. We wish to say that steps are being taken in the Department to divert additional work into the Providence post office, Mr. Chairman.

Mr. BRAWLEY. Also steps have been taken to make sure post offices in the future will not have mechanization to handle volume 20 years later.

Mr. HARRIMAN. In terms of the operation of Providence, we are pleased to report that the operation now is greatly improved over last year. We operated during the month of December this year with 20 percent less man-hours per 1,000 pieces than last year. This is within 8 to 9 percent of the original cost figures prior to moving into the new facility. Advantages of training, the correct selection of a career postmaster from within the group, who understands the mechanization, and the management efforts of the region certainly have paid off in this facility.

SEPARATE APPROPRIATION FOR RESEARCH, DEVELOPMENT, AND ENGINEERING

Mr. GARY. What, in your opinion, would be the impact on the postal service if a separate appropriation were established for research and development and engineering?

Mr. HARRIMAN. Speaking as the Director of the Office of Research and Engineering, I can say I have complete acceptance and access to the Postmaster General and all bureau heads and office heads to a most satisfactory team approach to the total problem. The present funds are made available to research and engineering through channels, and from an operational point of view or an in-house team effort, I could not recommend anything to improve the present situation.

Mr. GARY. What physical and organizational changes would be required to switch it over?

Mr. HARRIMAN. I may have to have some other members of the staff answer this. In terms of physical and organizational changes, I feel that none would be necessary. There is a separate account now within the administration appropriation on research and engineering, which identifies clearly the amount of money being used for research, engineering, and development. The staffing or organization, as far as people and functions are concerned, would remain the same. We have complete acceptance of people and money as is.

Mr. NICHOLSON. I believe Mr. Harriman's answer is completely correct. There would be no physical or administrative change involved. The appropriation to which his activity is charged would be changed, but this is simply a paperwork change, not a physical or organizational change of any type.

PRESENT RESEARCH AND DEVELOPMENT PROGRAMS

Mr. GARY. What particular items or machines are you concentrating upon in research and development at the present time?

Mr. HARRIMAN. Might I refer you in regard to that question to page 14.2 and there on in the justifications. I would be glad to run through them and explain in detail any particular additional comments that I can give. We are working, of course, in the area of operations research, human engineering, design, evaluation, and et cetera.

In the collection and delivery services, we are trying to find methods of improving collection boxes used on the street to help expedite the mail.

With the more rapid movement of mail we have with the use of aircraft and other more expeditious transportation, we must plan on systems of collecting, aiding us in moving mail, such as special containers inside vehicles, buildings, and so forth so that the patron can help us sort airmail and regular mail in lobbies and other public places and keep them separated throughout the transit system as a means of speeding mail.

CODING MACHINES

In the area of coding machines, we are concentrating quite heavily. We feel that if there is going to be a significant application of the latest state of the art of electronic machinery to the Post Office Department, we must derive a simple code which can be applied and tied into the existing letter sorters. We presently have installed in the Postal Laboratory a piece of equipment which will identify addresses of the 50 States and their abbreviations, and will sort automatically, thereto in the existing letter-sorting machines.

We are presently being assisted in exploring codes by the Bureau of Standards, Canadian experts, and our own Post Office engineers and scientists working as a team.

I might also say that Food Machinery & Chemical Corp. is evaluating coding, as part of their systems contract, and will give us their advice in this area also.

In the in-office equipment and systems we propose various studies that will permit mail to be received, weighed, and processed more rapidly than now. While the mail is going through the existing facer-cancellers, we will be able to detect any overweight letters and reject them out for extra postage. It was brought out by your committee last year, that as we got into mechanization, we must be sure we are collecting enough money for the postage involved. The answer is that even though the letters are going through a piece of equipment of this type at 30,000 letters per hour, we can weigh them and detect the heavy letters and reject them in a pile so that at any time we want to pull a check we can.

VENDING MACHINES

In the lobby services, we are most pleased to report that we have under-way now two contracts for surveying the public's needs and wants in terms of vending machines. We have had on test now for some time a currency changing machine that will accept $5 paper bills and $1 paper bills or coins. We have one of these in New York, one in St. Louis, and one in Washington. We find that most patrons who use these machines put part of the money back into the stamp vending machines that are located next to them.

We will have a vending machine under test soon which will dispense post cards, rolls of stamps up to the $4 roll that we have, post cards, stamped envelopes, et cetera. This would give the advantage of 24-hour service to the public in lobbies without the need for employees being available.

Mr. CONTE. These vending machines are not going to provide writing paper, are they?

Mr. HARRIMAN. No, sir. We are not going to sell writing paper or nonpostal supplies. We will sell post office items that you would normally buy over the counter.

Mr. GARY. They will not tell your fortune either.

Mr. CONTE. Or your weight?

Mr. HARRIMAN. No, they will not. I think in terms of the vending machines, if our newspaper articles we read about restaurants and trains are any indication, it is the type of service that the public wants. If the window attendant is busy and these equipments are available in the lobby, the customers can get whatever they want in terms of stamps, post cards, stamped envelopes, and so forth.

Mr. CONTE. Has any work been done on a special delivery letter or return receipt requested letter? The windows are closed at night, and you might like to get a letter off real quick.

Mr. HARRIMAN. In terms of equipment to handle registered letters when windows are not open, to the best of my knowledge, we are not working on any self-service equipment in that area. We could with improvements to existing vending machines issue even denominations of money orders if this was determined to be a desirable thing to sell. You can use up to a $5 bill to dispense up to $5 worth of stamps. We could, if it were deemed desirable, dispense money orders.

Mr. GARY. Are you using any sound strips in the boxes?

Mr. HARRIMAN. No, sir. This comes in the category of gimmicks.

Mr. GARY. You have also considered that the mail is bounced around enough on the earth without trying to bounce it off the moon; is that right?

Mr. HARRIMAN. Yes. There was such a program, but it is completely killed now under this administration.

SCANNING DEVICES

Mr. GARY. Have you made any progress in scanning devices to read the typewritten addresses?

Mr. HARRIMAN. Yes. We have made very significant progress, and we have in the Postal Laboratory here in Washington now a machine that will scan and read the addresses automatically off of envelopes. We have two contracts going. One is well underway, and we have the equipment in the Laboratory. The other one is more basic in terms of character recognition to help identify the name. These would be converted automatically into terms to be printed on the letters.

Mr. GARY. How about handwriting?

Mr. HARRIMAN. No, sir. We do not have automatic reading of handwriting included in our program for research. I suggest that it is not important as an omission at this time. Some 60 to 80 percent of the mail is business mail. It is typewritten. We will concentrate on this select mail until well into the distant future. Handwritings, of course, vary very much, and you probably have more variations in hand mail coming to you each day in your public office than any of us do, but it varies too much to try to recognize it by machine.

STATUS OF GATEWAY PROJECT

Mr. GARY. What is the present status of the Gateway project?

Mr. HARRIMAN. The Gateway project, as referred to in previous reports, has been killed completely.

As a result of the review which the Post Office Department had jointly with your committee last year, the R. & D. aspects that were originally included under the so-called Gateway project have been converted to standard research and development contracts.

The post office which will be built will be the Oakland post office. The criteria for it, the instrumentation and mechanization, will be handled in the normal process by the Post Office with competitive bidding, as we normally do in all large facilities of this type.

The idea that was behind the Gateway project per se of another experimental post office to be engineered by outsiders has been killed completely.

Mr. GARY. But you will make use of the results of the studies in mechanization and improvements that have gone on at the Food, Machinery & Chemical Co. in the Oakland post office and in other post offices throughout the country?

Mr. HARRIMAN. That is correct. Work is well underway in determining its size and shape and the work to be performed in the Oakland post office.

This is being pulled together by our Bureau of Operations, in cooperation with the Office of Research and Engineering, taking full advantage of all the work that has been done in the past under this contract.

Mr. GARY. I think Food-Machinery did some good work on that project, and I think we ought to take full advantage of it.

Mr. HARRIMAN. Yes; we are doing that. We have singled those contracts out separately and are continuing them. Where they indicate the future work to be performed in terms of prototype we will have to evaluate that as against the state of the art in other contracts, but the schedule is progressing very well.

PROVIDENCE POST OFFICE

Mr. GARY. I believe you stated that the Turnkey project is improving also?

Mr. HARRIMAN. The name "Turnkey" also is no longer in our vocabulary. The Providence post office is working out just fine, sir.

NEED FOR ADDITIONAL ENGINEERS

Mr. GARY. I notice you are asking for 106 additional engineers. What are you going to do with them?

Mr. HARRIMAN. Might I refer you while I discuss this to page 11.5, where we have called out how these people will be used. Following the advice which you gave the Post Office Department last year, any managers of projects will be in-house civil service people. To start off with, a small group of people who were originally contract employees had gotten into the management field because of lack, in total, of post office employees to handle the workload. We are converting those positions to civil service jobs. This does not mean in any way that we will be cutting back the number of total contract people working for us at the present time. It does mean instead of $2.5 million as we have had in the past under contract services, this coming year we are asking for only $2 million, this reduction more than offsets the cost of the replaced contract employees.

Would you like me to run down through the breakdown of how we would use the people?

Mr. GARY. Yes.

Mr. HARRIMAN. In terms of the 106 positions, 15 construction engineers, 7 at the grade of GS–13, and 8 at GS–12. These engineers will be residents on construction jobs to see that the structures are built in accordance with the Department's specifications. This is partially in response to the GAO report that we got this past year that the Post Office Department was not following closely enough the construction in the field.

We have let contracts and then did not make sufficient inspections along the way. These 15 people would be used to check on the major new jobs going along and keeping them in accordance with specification.

We would have 15 installation engineers who would be mechanical or industrial. Six would be GS–13's and nine GS–12's. These engineers would see that the mail-processing machinery, the belting, the mail flow system, the letter sorters, parcel sorters, sack sorters, et cetera, were installed in accordance with specifications. They would frequently visit the facilities to make any on-the-spot corrections that would happen to develop as a deviation from the drawing and specification.

As an example, now that Detroit is in its final shakedown, we are finding improvements on the contract equipment and we want to change the drawings and specifications on any other jobs now being installed in order to take advantage of these improvements and not wait until it has been installed and then go back and let a contract for modifications.

I think this is most important. It is immediate followup action.

I had said earlier that we estimate that there will be by fiscal year 1963, some 46 major mechanized facilities coming along and that we will want to follow these closer.

We are also asking for 20 R. & D. engineers, mechanical and electrical, of which 5 would be GS–14's, 11 GS–13's, and 4 GS–12's.

These would put into our dynamic research and development program engineers, mechanical and electrical, at a low enough level that they would be contributing members and will grow with the program and will be with us for years. We are not going after full-fledged and developed engineers who feel that they should be managers from here on out. What we want are some younger technical men who will consult with similar engineers in industry as we develop the program.

The program is one in which the Post Office Department is issuing in effect a challenge to industry. We want them to come in with any suggested equipments, state-of-the-art items which they have which we would be able to test and adapt to the post office, not necessarily coming in and asking us for X millions of dollars to go develop something specifically for us.

If they have an item already we would like work out with them on the basis of, Can it add to the post office; will it make us more efficient and help us to do our job?

Mr. GARY. Do you anticipate any difficulty in recruiting that many engineers?

Mr. HARRIMAN. Yes, we do anticipate some difficulty but I do not think that it is insurmountable. Based upon the experience that we

have had to date, and looking around, actually the post office image is quite acceptable to the professional field these days. In comparison to our competitors, such as NASA, the Space Agencies, where people look at a very large growth in professional people, several hundred per cent, they are rather attracted to the post office inasmuch as we are only making a modest growth and they feel that their job security, their contribution as an individual can be recognized and therefore job satisfaction obtained. I do not anticipate any impossibilities there, although it will be difficult to find the correct people.

I might say that of the 15 or 18 people that have come on board since I have been here, we have interviewed over 90 people in actually selecting 15. This is our own selection process so it is a big job, I have to agree.

Mr. GARY. Mr. Steed?

EXCHANGE OF IDEAS WITH FOREIGN COUNTRIES

Mr. STEED. Mr. Harriman, several of the European countries are also interested in this mechanization of mail handling. Do you keep up with their experiences in exchange of ideas with any of those countries?

Mr. HARRIMAN. Mr. Steed, I am most pleased to state that we do, but not as well as you did this summer, because you got over there and saw it, I understand.

Actually, as part of the Universal Postal Union and its Committee, the Consultative Committee for Postal Studies, I did go to the international meeting in Japan this year where some 21 countries were represented and all of the technical members of their staffs got together in subcommittees and exchanged information on research, development and mechanization. I was most fortunate to be able to consult with them at the CCEP international meeting this year.

We have had several of our engineers in Europe this year attending professional meetings with other postal countries and in this way we are trying to keep up with them and hope to do better in the near future.

Mr. STEED. I got the idea from some of the places we visited that the chief engineer in their postal service occupied a rather high and important position at policymaking level in many matters, both as to the design of facilities, the selection of equipment and its operation after it was installed.

For instance, from this chief engineer, going through his plant, we learned a lot more than we did in any sort of a conference that you could attend. The on-the-ground observation was much more effective. We saw some things over there that by comparison with what we have seen over here impressed us with the fact that perhaps some things could be learned from the Europeans that might be worth while. I recall being told by someone in this country that a vertical conveyor belt carrying mail sacks was impossible but we saw one in Rotterdam carrying mail 14 stories high at the rate of 3,000 sacks an hour and we saw the rotating pyramid for mail sack distribution working very effectively. We saw the closed-circuit television to observe the operation of the machinery all over the plant and we saw the electronic console of the conveyor belt system working. I think

in the development of the conveyor facilities that they were much more advanced than anything we had seen here, certainly a lot more effective than the Rube Goldberg monstrosity they built at Providence.

Then we saw a locally developed vacuum cleaner for mail sacks. It was very cheap to build and very economical to operate. After these engineers had planned and designed these facilities and were operating them, they now say that if they had it to do over again, certain improvements could be made from their experiences. I would think an interchange of engineering ideas would be most helpful between the countries that are actually going into this mechanization.

Mr. GARY. Did you not tell me that instead of having the mail flow system they would have a vertical drop from one floor to another?

ROTTERDAM POSTAL PLANT

Mr. STEED. The Rotterdam plant is 14 stories high. It has what they call seven working floors. They convey the mail direct from the railroads and trucks at the dock to the top of the building and then it comes all the way down by gravity flow to the various working levels, as it goes back into the process of being taken outside again.

They told us they designed that because of the fact that they did not have much ground and they had to go up instead of spreading out. They decided that was sort of a blessing in disguise because it had eliminated a lot of lost motion in the processing of all the mail in the building.

I was not too impressed with what we saw in England and France, but I did think that, judging on what we had already seen over, here, that the plant at Rotterdam and the one at Brussels were of themselves examples of a lot of very useful demonstration of what could be done in mechanizing the handling of mail.

BRUSSELS POSTAL PLANT

For instance, at Brussels they have a conveyor belt system for the first culling and facing of mail that beats anything that we have here outside of an actual culling machine, itself. They had these long belts that brought the mail as it came out of the sacks on a slow-moving belt. Then they had the seats along it. They could work in as many workers as volume demanded. As they faced the mail, they automatically separated mail that would not go through the machine and sent it to the manual workroom on another belt. They took the airmail and sent it on another belt. When they finally got the mail faced, it was machinable mail that would go through the Bell sorter without any great difficulty. They gained several advantages and also the easy access to putting more people to work when the volume of mail got larger seemed to me more controllable than just having to work around a large table.

We saw the large place in London where the parcel post came down the chute to the worktable. They had a man operating the plow, that distributed up and down. When we got over into Rotterdam and Brussels we found the same thing going on with an electronic eye and it eliminated the operator. There are all sorts of ideas like that that it would seem to me, since they are already in the business and

it is there, that exchange of ideas could be fruitful. I think it would be a good investment to let Mr. Harriman or some of the other engineers go over there and see firsthand and talk firsthand to these folks who have already had this experience.

I was very impressed with the cordiality with which they received us and the enthusiasm with which they took the opportunity to show their operations to those who were interested. We were very cordially and well received everywhere. I became convinced, seeing what they have done, that even though they do not have the best answers, that mail can be mechanized. It is the answer to what we know is ahead in the volume that will flood this country.

Mr. HARRIMAN. I am most pleased to hear your comments and I might say to substantiate your feelings we are actively corresponding with other countries and freely exchanging information.

The Post Office Department this fall did have Mr. Feimster, the former Assistant Director for Management Engineering go to Europe and look into facilities for us while he was over there and his recommendation to the Postmaster General was that we coordinate very closely with them and when it was timely and convenient that we have some of our engineers and management people go to Europe for personal observation of their mechanization and the exchange of information.

Mr. STEED. I strongly recommend that you and people in your Department have the opportunity of an onsite visit to these operating facilities because I think that you would get a lot more out of it in a lot less time if you had that opportunity.

Mr. BRAWLEY. This is being done, Mr. Steed. Another way that you can accomplish an interchange of ideas is by foreign dignitaries and engineers visiting this country, which we have done quite often. We get together with them over in this country and exchange ideas, too. We do believe in this. We think it is very beneficial.

Mr. STEED. After the experience at Providence, it made you have some misgivings about the future of mechanization and then to go over there and see how far they have succeeded restored my confidence in the fact that it can be done and should be done.

I found that they were very conscious of cost. They were more like the Food-Machinery Corp. approach. If it did not pay off, no matter even if it worked, they were not particularly interested in it.

DETROIT POST OFFICE

Mr. HARRIMAN. This is our new departmental approach and I would like very much to encourage whenever your schedules permit that we arrange a visit to our new post office in Detroit. It is well along in its shakedown period. We have learned along the way and we are not having the difficulties there that we had previously with mechanized facilities. The employees accepted it, the personnel people have done an excellent job with training. We have had our engineers from the Department working with the regional engineers, the regional directors and others, always trying to remain in the background as much as possible, pointing out how the equipment was designed to work. If we see an error or a procedure which is not correct we encourage corrective actions through their local supervision

channels so that they get the feeling that it is their job. It is their function to perform, their local responsibility. It is working out very well in Detroit.

Mr. GARY. Mr. Conte?

STAMP IDENTIFICATION PROGRAMS

Mr. CONTE. Mr. Harriman, when we were out to Food-Machinery, they were still having a lot of difficulty with the canceling of stamps. They were talking about some kind of a magnetic ink on the stamp. How have they progressed in this field?

Mr. HARRIMAN. They have progressed and we are progressing. At the time you were there last year, we had four separate programs going on to positively identify a stamp so that we would know whether it was to be canceled or not.

During the past 6 months, we have reduced that to two contracts presently undergoing evaluation. Within the next several months we will reduce it to one. This identification is in addition to the optical method of scanning which we have now. Stamp tagging is a more positive way of identifying stamps, the metered impressions, imprints, et cetera. Many of the European countries are working in that area also and we are following their work very closely.

PROVIDENCE POST OFFICE

Mr. CONTE. In regards to Providence post office, you state it is working out somewhat better. Have they taken out any of the equipment or are they still using the same equipment, the same conveyor system that they had?

Mr. HARRIMAN. I would answer that question that it is the same conveyor system. It depends how far back you want to go.

Mr. CONTE. We were there about a year ago.

Mr. HARRIMAN. From anything you would have seen at that time, they are still using the same equipment. There are significant pieces of equipment that were originally considered in the concept of the building that have not been installed.

This does mean considerable manual handling from the end of a belt conveyor to the next system, which is exactly the thing that you pointed out as an error years ago. This has not been totally corrected in this installation and it does add additional manpower costs for manually handling sacks and parcels where, with a little additional engineering and equipment, they could be fed to the next point of delivery, making the system more efficient.

Mr. CONTE. How about the sorter? That was acting up very miserably the day we were there.

Mr. HARRIMAN. As far as this type of equipment is concerned, the training of the personnel, the orientation and familiarity with it, it has settled down nicely and the letter sorters are running along very smoothly and functioning properly.

FOOD MACHINERY CONTRACT

Mr. CONTE. On Food Machinery, what is your contract? For how long is it and what amount of money does it involve?

Mr. HARRIMAN. The project with FMC, is an outgrowth of the original contract that we had with them, and by mutual agreement, we have recast this into an existing contract that will run through 1964, well, through the early part of calendar 1964.

You asked how much money is in it. This has to be broken down several different ways. The basic contract that was issued in 1959 was for $3,164,891. We had amendment No. 1 to that, issued June 24, 1960, covering work to June 30, 1961, for $1,260,761.

Mr. CONTE. Additional?

Mr. HARRIMAN. Additional money. These are going to be cumulative. I will give you the total at the end. We issued amendment No. 2, on June 29, 1961, covering work through March 1964 for a total of $5,642,412. The total from the beginning to its recast phases as it now stands is $10,068,064.

The amendment in June was issued after the members of this committee had been out there with us. We decided to separate completely the FMC contract from the original concept of a building plus the research and development.

We separated those research and development items and funded them basically through completion as far as the studies are concerned, to determine the total application of systems concepts, cost analysis, leaving out the post office and looking only at the research end of the picture.

Mr. CONTE. What kind of an agreement do we have with F. & M. with regard to patents on any of this R. & D. work?

Mr. HARRIMAN. The Post Office has license to all patents. We will have specifications and drawings and we can go out for competitive bid to any manufacturer including FMC who wants to bid on it; the normal competitive bidding against specifications.

Mr. CONTE. I have no further questions.

Mr. GARY. Mr. Alexander?

MODERNIZATION PROGRAM, 1951–62

Mr. ALEXANDER. Mr. Harriman, I want to congratulate you also on your philosophy of this modernization program. I think you have got the right approach.

I wonder if it would be possible for the record for you to give us the total amount of cost for the total program of research, engineering, and modernization and equipment, say, since 1950, in one place in the record, together with what machines have been produced, how many machines you have, where they are in operation, what the projected saving is, and any other information that would be helpful to the committee to get an overall picture of the modernization program up to date.

Mr. HARRIMAN. I would be glad to.

Mr. GARY. You would want that by years, comparative?

Mr. ALEXANDER. Yes.

Mr. HARRIMAN. By years from 1950, what are the machines, where are they, projected savings, annual savings, et cetera. I can pull this together.

(The information supplied follows:)

TABLE 1.—*Modernization program—Research and development and major mechanization costs, fiscal years 1951–62*

Fiscal year	Research and development [1]	Major mechanization [2]	Total	Fiscal year	Research and development [1]	Major mechanization [2]	Total
1951	$239,670		$239,670	1959	$3,406,168	$18,796,164	$22,202,332
1952	211,093		211,093	1960	13,494,645	32,583,000	46,077,645
1953	123,311		123,311	1961	11,936,000	10,567,000	22,503,000
1954	325,267		325,267	1962 (estimate)	2,650,000	10,000,000	12,650,000
1955	253,734		253,734				
1956	1,155,052		1,155,052	Total	41,980,059	80,038,518	122,018,577
1957	2,040,964		2,040,964				
1958	6,144,155	$8,092,354	14,236,509				

[1] Includes contracts for equipment development and related studies. Does not include management consulting services, nor contract engineering services. Program was initiated Jan. 1, 1950.
[2] Includes major internal transport systems, Mail-Flo, mail processing machines. Does not include Federal building improvements, vehicle procurements, light and color program, customer service equipment, furniture, or money order issuing equipment. The major mechanization program did not begin in any appreciable degree until fiscal year 1958.

TABLE 2.—*Modernization program—mechanization—items installed, Jan. 11, 1962*

Location	Facer-canceler [1]	Letter sorters [2]	Mail-flo	Parcel sorter systems	Sack sorter systems	Culler	Bulk transport conveyor systems	Tray transport conveyor systems	Power and free or monorail	Tow conveyor
Anchorage							1			
Baltimore				1			1			
Boston	6		1				1			
Chicago	2		1				1			
Cincinnati	3									
Cleveland	5		1						1	
Denver	4		1	1			1			
Detroit	6	8	1	2	2	1	1			
Flint	1	1		1			1	1		
Contractor use	1					1				
Greenville, S.C				1			1			
Harrisburg	1									
Houston	4									
Kansas City	2		1							
Los Angeles	10		1		1		1			
Nashville	1									
New Orleans	2									
New York City:										
Church Street	6		1				1	1	1	
Grand Central	6		1				1			
GPO	10		1				1	1	1	
Pennsylvania Terminal			1							
West Side			1							
Ogden Terminal			1							
Philadelphia	5		1		1				1	
Pittsburgh	3		1							
Portland, Oreg	3									
Postal Laboratory	1	[3] 3				1				
Providence	[4] 6	[5] 11		1	2	6				1
Silver Spring		[6] 1								
Stamford, Conn	[7] 1									
Spokane, Wash							1			
Washington, D.C	5	[8] 2	1	1			1			
Springfield, Mass				1			1			1
Total	94	26	16	9	6	9	15	3	4	2

[1] All facer-canceler units are Mark II tandem unless footnoted otherwise.
[2] All letter sorters are Burroughs type unless footnoted otherwise.
[3] One Pitney-Bowes; 2 Keytronic.
[4] Standard Electric Lorenz of Berlin.
[5] Bell machines.
[6] Transorma machine.
[7] Single Mark II unit.
[8] 1 Bell machine.

TABLE 3.—*Modernization program—mechanization—items on order, not installed, Jan. 11, 1962*

Location	Letter sorters[1]	Parcel sorter systems	Sack sorter systems	Cullers	Bulk transport conveyor systems	Tray transport conveyor systems	Tow conveyor
Buffalo		1			1	1	
Cincinnati		2	2	2	1	1	
Denver				2			
Detroit	20			3			
El Paso							1
Grand Rapids					1	1	
Harrisburg		1	1		1	1	
Houston		1	1		1	1	
Miami		1			1		
Nashville		1			1		
New Orleans					1		
Omaha		1	1		1	1	
Philadelphia		2	3		1	1	
Pittsburgh				2			
Portland, Oreg		1	1	2	1	1	
Sioux City					1		
Saginaw					1		
Unassigned				2			
Total	20	11	9	13	13	8	1

[1] Burroughs type.

79050—62——11

TABLE 4.—*Major mechanization projected savings*

The installation of major mechanization began with the letting of contracts in fiscal years 1958–59 for 16 Mail-Flo systems. The largest annual dollar value of mechanization contracts let was in fiscal 1960. Much of this mechanization has not yet been shaken down into operational systems. There is shown below a summary of the results of cost studies made to date of those mechanization installations which are completed and in operation.

Type of mechanization	Location	Type of report and date	Number of machines	Payout period before depreciation, years [1]	Capital investment	Machine life, years	Projected savings [1]
Mail-Flo System	Detroit, Mich., Roosevelt Park Annex	Final, Oct. 8, 1958		2.25	$504,625	[2] 10	$1,736,960
Do	Ogden Terminal, Ogden, Utah	Final, Sept. 30, 1959		1.7	154,115	[2] 10	777,110
Do	West Side Terminal, New York, N.Y.	Final, Dec. 21, 1959		3.9	68,900	[2] 10	105,940
Do	Pennsylvania Terminal, New York, NY.	Final, May 9, 1960		1.12	99,842	[2] 10	788,230
Do	Terminal Annex, Los Angeles, Calif.	Interim, June 17, 1960		9.9	2,509,609	20	2,553,100
Do	Kansas City, Mo	Final, Aug. 22, 1960		1.7	677,787	20	7,366,360
Do	South Postal Annex, Boston, Mass	Interim, Oct. 31, 1960			2,119,662		None
Do	Grand Central Station, New York, NY.	Final, Dec. 22, 1960		1.7	817,464	20	8,639,160
Do	Cleveland, Ohio	Interim, June 5, 1961		10.3	1,956,784	20	1,845,340
Do	Washington, D.C., outgoing and incoming letter section.	Final, Jan. 24, 1961		1.7	1,126,900	20	12,531,380
Transorma operations letter sorting	Silver Spring, Md	Final, May 2, 1958	1	5.9	118,400	[2] 10	80,000
Bell letter sorting machine	Washington, D.C	Final, May 23, 1960	1		169,606	[2] 10	None
Greller parcel post distributing system	Baltimore, Md	Interim, Oct. 6, 1958	[3] 1	6.5	388,552	[2] 10	205,020
Mark II facer-canceler	Washington, D.C	Final Feb. 1, 1961	[4] 3	3.8	123,984	15	370,350
Parcel post mechanization (outgoing parcel post, sack separation).	Terminal Annex, Los Angeles, Calif.	Interim, Dec. 15, 1960	[3] 1	6.0	568,527	30	2,298,420
Mark II facer-canceler	Houston, Tex	Final, Nov. 14, 1961	[4] 2	1.2	60,359	15	686,430
Do	Cleveland, Ohio	Interim, Aug. 9, 1961	[4] 5		154,620	15	None
Parcel sorting machine	Denver, Colo	Interim, Apr. 21, 1961	[3] 1		528,980	25	None
All mechanization	Flint, Mich	Interim, June 29, 1961			[5] 400,000		None

[1] Reports issued after Nov. 13, 1961, include interest on average investment as a cost in computing payout period and savings. Projected savings cover estimated machine life.
[2] Current estimates of machine life for this type of equipment are greater than those used in the study. Savings will therefore be greater than those shown.
[3] System.
[4] Units.
[5] Estimate.

COST OF ADDITIONAL ENGINEERS

Mr. ALEXANDER. I was interested in the number of engineers that you were asking for this year. I believe it is 106.

Mr. HARRIMAN. Yes, 106.

Mr. ALEXANDER. Is that 106 new engineers that you would have in the Post Office Department?

Mr. HARRIMAN. That is correct, of which 30 replace some that had gotten into the management line from the contract services.

We would put on these professional people and use contract services for the nonmanagerial types of jobs, such as drafting, the specialists that we need on a particular construction job, et cetera, the short-term people. These would be 106 new employees on the civil service rolls.

Mr. ALEXANDER. Actually, there would be about 76 additional people.

Mr. HARRIMAN. Yes.

Mr. ALEXANDER. How much additional cost would it actually be for these new employees? Could you supply that for the record?

Mr. HARRIMAN. I will put a net cost on that as $500,000 or less. In other words, we broke them down—unless Mr. Thomason has a specific figure to insert in the record. What we are talking about are engineers at the $9,000 or $10,000 levels, less about $500,000 reduction in contract engineers so it comes out to a net of about $500,000.

AUTOMATIC READING MACHINES

Mr. ALEXANDER. You speak on page J of your prepared statement a paragraph in regard to the automatic reading machines and you state in substance that it would be about 2½ years before tests are completed to the point where it would read typewritten addresses, particularly to, say, 50 different States.

Mr. HARRIMAN. That is right.

Mr. ALEXANDER. What is the status of that at this stage?

Mr. HARRIMAN. We have one piece of equipment installed and are testing it in the postal laboratory at the present time. We have it hooked to a module of a letter-sorting machine and we are processing dummy mail, test mail through this piece of equipment and testing its accuracy and speed.

Mr. ALEXANDER. Will it work with handwritten material?

Mr. HARRIMAN. No, it would not. It would work only with typewritten addresses and 85 percent of the mail that we receive is typewritten addresses, most of it being business mail.

Mr. ALEXANDER. I understood in your colloquy with the chairman that you were not experimenting with the handwritten end of it.

Mr. HARRIMAN. No. The 15 percent of the mail which the machine will not handle is handwritten. We are not testing now and we do not plan to, within any of our existing contracts, to work with the handwriting at the present time.

Mr. ALEXANDER. Thank you, Mr. Chairman.

REGIONAL OPERATIONS

Mr. GARY. Now we will go ahead, Mr. Brawley, with the regional operations.

Mr. BRAWLEY. I wonder if we could have Mr. Newton step forth. Mr. Newton and Mr. Thomason are available to answer questions on regional operations. They have been working more recently in the reorganization of the regional offices.

I believe Mr. Newton is appearing here for the first time as our new regional manager.

Mr. GARY. We are very glad to see Mr. Newton here.

Mr. NEWTON. Thank you, Mr. Chairman.

Mr. BRAWLEY. He is a career employee with many years' service.

Mr. GARY. He comes from my State.

Mr. NEWTON. That is right.

Mr. GARY. I am very glad that the Post Office decided to place him in his present position.

Mr. BRAWLEY. We do not have a prepared statement on regional operations.

BIOGRAPHICAL SKETCH OF A. E. NEWTON

Mr. GARY. Do you have a short biography that you can insert at this point in the record?

Mr. NEWTON. I can furnish one, Mr. Chairman.

(The information requested follows:)

BIOGRAPHICAL SKETCH: A. E. NEWTON, DIRECTOR, OFFICE OF REGIONAL MANAGEMENT, POST OFFICE DEPARTMENT

Entered the postal service in 1929 as clerk; promoted to postal inspector in 1942; in 1949 promoted to administrative position in Department in Washington and held successive positions until presently appointed as Director, Office of Regional Management.

During World War II, assigned to Samson Naval Base and 1943 was assigned as commanding officer of fleet post office, New York. Early in 1945 was transferred to Pacific area and made Navy postal officer in the staff of commander, service forces for Pacific Ocean area. Presently, commander in U.S. naval service, retired.

CHANGES IN REGIONAL OPERATIONS

Mr. GARY. Mr. Newton, I wonder if you could tell us what changes are being made in the regional operations?

Mr. NEWTON. I will be happy to, Mr. Chairman.

As of March 15 this year, the Office of Regional Management was transferred from the Bureau of Operations to the Office of the Deputy Postmaster General.

This, in itself, was extremely significant because formerly regional directors reported to the Assistant Postmaster General, Bureau of Operations, and this official was, of course, on a par with all other Assistant Postmasters General in the Department. By reporting now to the Deputy Postmaster General, they are reporting to the official who has the coordination function over each of the bureaus.

It immediately strengthened regional management. Of course, to some extent we had our growing pains through the year to determine our method of operation, but the organization is working out extremely well in this respect. Each of the bureaus have their own function, their own delegated duties by the Postmaster General, to perform and they are performing those duties without any restriction on the part of the Office of Regional Management by dealing directly with regional directors in progressing their programs, policies, and procedures.

The manner in which we function is that the Deputy Postmaster General is informed by each of the bureaus concerning their programs and policies so that we can follow up to determine that our regions are operating properly in their management functions in carrying out these programs and policies. In order to more effectively make this determination we have formed during the course of this year a group known as the management appraisal team. This has never been done in the postal service before. We have two men in my organization who are the nucleus of the management appraisal function and they are assisted by representatives of each of the Bureaus of the Department. They go to a region and examine it from a management standpoint, to determine whether the regional people are properly carrying out their functions, whether or not they are fully aware of all the instructions surrounding the programs and policies and whether their job is actually being performed properly.

This accomplishes many things. In addition to informing us whether a region is functioning with top efficiency it serves to bring the people of the departmental bureaus together at the regional level, so that they can actually see how their functions fit one into the other when we get closer to the field of operations in the post offices.

As I said before, Mr. Chairman, that organization is working exceptionally well and we are certainly going to make more improvement in it as time goes along.

FIELD SERVICE OFFICERS

In our appraisal with regard to strengthening regional management in the field we found that the area needing most attention was in the function of field service officers. Under our reorganization, we are renaming them postal service officers.

We determined that the most important matters to correct were coordination and training. The coordination of field service officers had always been charged to the regional directors and they did not have the time, with the many functions that they had to perform, to keep close watch on travel, whether travel was performed in the most productive places, and whether the work being performed was that which would produce a better postal service at reduced costs.

Another development was the matter of work being given to field service officers. It was being given to them by all offices of regional headquarters and as a result they were performing a multitude of duties, many of which could just as easily have been handled within regional headquarters by a letter.

We also found in our analysis of the FSO program that there was inclination in some cases to be much more than a management counselor and adviser in visiting post offices. In our administration of the postal service, we intend that postmasters will have the responsibility for operating their post offices without constant visitation by people from the region, except when there is a matter of real importance to justify the visit.

We feel also that the regional director and his people, must also be given this same responsibility by the Post Office Department and we intend to give them this responsibility and see that they carry it out.

We have already started our field service officer program. We are developing qualification standards for applicants by which they will

be required to have a certain amount of postal service and education and we are also planning on an examination in order that we will have greater selectivity of people in determining the ones who will do the best job for the postal service.

All these programs are underway.

REGIONAL SURVEY

Mr. GARY. You had a survey made of the entire regional setup, did you not?

Mr. NEWTON. Yes, sir. We had a survey made to determine how the organization could be strengthened. This was done by people in Government service. The chairman of that survey team was a man from the Bureau of the Budget, and was assisted by people from the Post Office Department and others.

Mr. THOMASON. In the justification here, on page 15.4, you will get a fairly good picture of the way the new organization is being set up.

Mr. GARY. Are the changes largely the recommendation of this survey committee?

Mr. NEWTON. Very closely; yes, sir.

Mr. GARY. What additional authority has been given to the regional directors?

Mr. NEWTON. The regional directors at this time are given full responsibility for operating their region insofar as the operation of the postal service within that region is concerned.

As an example of that, and along the line of the question which was asked Mr. Montague this afternoon, we have had the regional directors assuming management functions which to some extent had been performed by the inspection service before; that is, the survey of post offices. We feel that the matter of proper mail handling, the proper organization of a post office and its proper operation is a management function. As an example of that, we had a study done in the Wichita region at the Lincoln, Nebr., Post Office, which was done completely by people from the region, assisted by people whom I chose from other regions, and at the termination of this study, there was a 15 percent improvement in the efficiency of this office.

AUTHORITY OF REGIONAL MANAGERS

Mr. GARY. What authority do the regional managers have now in making decisions, rather than have them come to the central office here in Washington?

Mr. NEWTON. They have responsibility for promotions up through grade 12 and above grade 12 we require they be sent into the Department.

They also have the responsibility of determining where improper conditions exist and the authority to take immediate corrective action, rather than have the Department sending out people to handle such situations.

REGIONAL PERSONNEL OFFICES

Mr. GARY. They have personnel offices in each region do they not?

Mr. NEWTON. Yes, sir.

Mr. GARY. What is their connection with the main personnel office? Are they under the operation of the personnel office? How do you coordinate the activities of the regional personnel offices with the central office?

Mr. NEWTON. In the Post Office Department, of course, Mr. Murphy is our Assistant Postmaster General of the Bureau of Personnel and the counterpart of that Bureau in the field is the director of personnel within the region. Under our new organization we also have officials as special assistants to the regional directors for employee relations. Their work is coordinated directly with that Bureau.

FIELD SERVICE OFFICER TRAINING

Mr. GARY. What did you say these field officers are doing now?

Mr. NEWTON. The field officers are going to be given a complete on-the-job training program so that we can balance their knowledge in the experience which they lacked when they took this job. Mr. Chairman, many of these people were appointed from the Postal Transportation Service and had very little knowledge of the post office operation and people from post office operations had very little knowledge of transportation.

Mr. GARY. When they were first appointed, most of them were political appointees. They could not make changes in the postmasters, so they created, first, the regional offices and then the district offices.

When they saw that was too complicated a setup, then they changed them to field officers so that they would not have to fire any of them.

I wonder if there is any need for them now at all, or have you really found a place for them to work where they can be employed profitably?

Mr. NEWTON. Yes, Mr. Chairman. I feel that there is an extreme need for them. We know, too, that there are some who do not have the knowledge and efficiency which they should have. Some, perhaps, may never have it. We intend to try to train those who can be helped so that they will have an overall knowledge of the postal service and as a representative of the regional director, within each region, they will be able to visit offices and assist postmasters in improving effifficiency at the lowest possible cost.

OVERLAP IN DUTIES OF FIELD SERVICE OFFICERS WITH INSPECTORS

Mr. GARY. Is that not duplicating the work of the inspectors? Do not the inspectors perform that same duty?

Mr. NEWTON. No, sir. This is an area to which Mr. Montague and I have given a lot of attention. Our men will not visit offices to perform an inspection. They will be in post offices as a management representative of the regional director. As such, they will determine whether or not the postmaster has delegated authority to his supervisors, whether or not mail is moving properly, and whether or not it is being done with the least use of man-hours.

The inspectors in their annual inspections also perform the audit of the funds of an office.

Mr. GARY. Yes; but they are also supposed to look around and see that efficiency is being maintained, and so forth.

Mr. NEWTON. That is true, and that is an assist to us in regional operations because this will help us in giving more attention to some of the weaker offices. Reports from the inspectors are given to our field service officers to correct any irregularities which may be disclosed.

REGIONAL OFFICE FUNCTIONS

Mr. GARY. What are the principal functions of the regional offices?

Mr. NEWTON. The administration of the postal service within a given area with proper mail service at the least possible cost.

REGIONAL OFFICIALS UNDER CIVIL SERVICE

Mr. GARY. The regional officers are not under civil service, are they?

Mr. NEWTON. All officials in the region are under civil service with the exception of the assistant to the regional director.

Mr. GARY. The regional director is not, is he?

Mr. NEWTON. Yes, sir; he is under civil service.

Mr. GARY. But the assistant is not?

Mr. NEWTON. The assistant is not. He is the only one.

Mr. GARY. Why would that situation exist?

Mr. NEWTON. Perhaps Mr. Brawley might want to explain that.

Mr. BRAWLEY. Mainly because the assistant is mainly concerned with the adviser system, dealing with members of Congress, going to dedications, making speeches, and so on. It was thought this was the type of job which best could be recruited under schedule A rather than under civil service.

Mr. GARY. Mr. Steed?

Mr. STEED. I have no questions.

Mr. CONTE. I have no questions.

NUMBER OF FIELD SERVICE OFFICERS

Mr. ALEXANDER. How many field service officers do you have?

Mr. NEWTON. 225.

REDUCTION IN REGIONAL PERSONNEL

Mr. ALEXANDER. Are you requesting any additional personnel this year?

Mr. NEWTON. No, sir. As a matter of fact, we are asking for 4,752, which is 48 less than in the 1962 appropriation.

Mr. NICHOLSON. It would be useful to call your attention to page 15.1 which has been entered in the record. Although the total cost for regional operations is up in 1963, this is the result of increases in mandatory items. Actually, the costs other than mandatory items are decreased by $336,000. This is primarily as the result of the reduction of 48 positions that Mr. Newton just mentioned.

I mention this because the purpose is not to create another ineffective level of operations but rather to make a hard-hitting instrument to connect headquarters with the post offices.

Mr. THOMASON. This reduction is consistent with the recommendations of the study which was made of the regional offices. It was recommended that changes be made to improve the use of the personnel and at the same time make a small reduction in staff.

Mr. GARY. I personally never have been entirely sold on the regional setup although it seems to be operating now much better than it did at first.

I was definitely of the opinion there was never any excuses for the district setup, and I was happy to see it abolished. I was sorry when we abolished it that we just changed the name of the men and made them field officers.

If they have duties to perform that is all right, but personally it is a question of whether we could not get on without them.

Mr. BRAWLEY. As we are able to train these people I think they will save us a lot of money. We cannot say to you right now we can assure you this will be done. We would like a try at it, however.

Mr. GARY. They are under civil service, too, are they not?

Mr. BRAWLEY. Yes, sir.

Mr. CONTE. How many are in the field service?

Mr. BRAWLEY. 225.

Mr. GARY. They were originally in district offices. When we abolished the district offices we did get rid of some of the attendant help in those offices, did we not?

Mr. NEWTON. That is right. Some of those people went back to post offices and some went to positions within the region.

I do think that if we have the opportunity to train these field officers we can really show results in better service and reduced cost.

REGIONAL FINANCE PERSONNEL

Mr. NICHOLSON. It is also useful to point out that in the regional operation more than half of the total personnel is involved in finance functions. This year for the first time we have broken out the people and costs involved in finance versus post office operations.

In this budget estimate there are 4,752 positions in regional operations, of which 2,391 are finance functions and 2,361 are involved in other operations.

In dollars, of the $41 million total for regional operations, $16,899,000 is for finance.

These finance functions are essential matters which must be taken care of. For example, there are some 15 million payroll checks each year which must be issued, and there are many thousands of other transactions connected with payroll, increasing the number of payroll-connected transactions by another 40 percent.

There are some 10 million flight audit cards in connection with airmail charges.

Mr. GARY. Field officers handle those?

Mr. NICHOLSON. This is all done in the regional controller's office, yes.

Mr. GARY. Are the field officers connected with the controller's office?

Mr. NICHOLSON. Part of regional operation.

Mr. GARY. That is what I thought. They are under the regional director rather than the controller.

Mr. NICHOLSON. That is correct.

Mr. GARY. Any further questions, gentlemen?

Thank you.

The committee will stand adjourned until 10 o'clock tomorrow morning.

WEDNESDAY, JANUARY 17, 1962.

OPERATIONS

WITNESSES

H. W. BRAWLEY, DEPUTY POSTMASTER GENERAL
JAMES R. THOMASON, ASSISTANT DEPUTY POSTMASTER GENERAL
FREDERICK C. BELEN, ASSISTANT POSTMASTER GENERAL, BUREAU OF OPERATIONS
AUGUST C. HAHN, DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF OPERATIONS
CHARLES H. RYAN, ACTING DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF OPERATIONS
RALPH W. NICHOLSON, ASSISTANT POSTMASTER GENERAL, BUREAU OF FINANCE
LINDSLEY H. NOBLE, DEPUTY ASSISTANT POSTMASTER GENERAL AND CONTROLLER, BUREAU OF FINANCE
CLARENCE N. BRUCE, ASSISTANT CONTROLLER FOR BUDGET, BUREAU OF FINANCE

Object classification

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
11 Personnel compensation:			
Permanent positions	2,174,273	2,289,113	2,365,298
Positions other than permanent	698,670	674,113	695,755
Other personnel compensation	120,347	113,648	115,897
Total personnel compensation	2,993,290	3,076,874	3,176,950
12 Personnel benefits	232,423	239,311	249,162
21 Travel and transportation of persons	16,647	17,053	17,212
22 Transportation of things	66,178	67,519	69,269
23 Rent, communications, and utilities	4,168	4,107	4,040
25 Other services	14,559	16,329	18,298
26 Supplies and materials	23,464	25,807	27,069
Total obligations	3,350,729	3,447,000	3,562,000

Personnel summary

	1961 actual	1962 estimate	1963 estimate
Total number of permanent positions	414,177	426,843	437,739
Full-time equivalent of other positions	154,179	148,325	152,739
Average number of all employees	567,992	580,023	595,353
Number of employees at end of year	572,772	583,371	598,768
Average postal field service level	4.5	4.5	4.5
Average postal field service salary	$5,459	$5,488	$5,531
Average salary of ungraded positions	$4,838	$4,918	$4,993

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Administration of postal installations (obligations and funded operating costs)	429,532	441,629	451,441
2. Mail handling and window service (obligations and funded operating costs)	1,499,700	1,535,600	1,592,888
3. Collection and delivery service (obligations and funded operating costs)	1,261,267	1,298,676	1,337,089
4. Maintenance service (obligations and funded operating costs)	97,480	102,600	106,025
5. Vehicle service (obligations)	62,750	68,495	73,196
(Funded operating costs)	(62,691)	(68,495)	(73,196)
(Change in inventories)	(42)		
(Change in resources on order)	(17)		
6. Employees' compensation fund (obligations)			1,361
(Operating costs funded or to be funded)	(3,683)	(6,300)	(6,300)
(Changes in workmen's compensation liability to be funded)	(−3,683)	(−6,300)	(−4,939)
Total, program obligations	3,350,729	3,447,000	3,562,000
(Total, funded operating costs)	(3,354,353)	(3,453,300)	(3,566,939)
(Total, changes in resources, etc., net)	(−3,624)	(−6,300)	(−4,939)
Financing: Unobligated balance lapsing	6,112		
New authority	3,356,841	3,447,000	3,562,000
New authority:			
Appropriation	3,354,541	3,434,000	3,562,000
Transferred to—			
"Facilities"	−100		
"Modernization and improvement of buildings and equipment"	−1,600		
Transferred from—			
"Transportation"	4,000	8,000	
"Plant and equipment"		5,000	
Appropriation (adjusted)	3,356,841	3,447,000	3,562,000

Mr. GARY. The committee will come to order. We will take up this morning the requests for operations. Appropriations for the operations of the Post Office for 1962 were $3,434 million. The estimate for 1963 is $3,562 million. The increase over 1962 is $128 million.

JUSTIFICATION OF THE ESTIMATE

We will insert at this point in the record pages 20.1 through 20.5, 21.1 through 21.2, 22.1 through 22.3, 23.1 through 23.3, 24.1 through 24.4, 25.1 through 25.3, 26.1 through 26.3, 27.1 through 27.3, and 28.1 through 28.3.

(The pages follow:)

Statement relating 1961, 1962, and 1963 programs

[Thousands of dollars]

	Mandatory	Other costs	Amount
1961 program (obligations incurred)			$3,350,729
FISCAL YEAR 1962 INCREASES			
Increase or decrease due to—			
Administration of postal installations: Increase in average salary of postmasters and supervisors and 3.6 percent increase in supervisor employment	$6,317	$5,780	
Mail handling and window service: Increase of 2.2 percent in clerk employment to handle a 3.2 percent volume increase	11,382	24,518	
Collection and delivery service: An increase of 2.4 percent in city carrier employment to service the 2.9 percent increase in possible stops; a 2.1 percent increase in special delivery messengers due to larger area to be serviced; and an increase in rural carrier obligations due to increase in average length of routes	17,217	20,192	
Maintenance service: Increase of 4.3 percent in employment to care for the 3.3 percent increase in square footage of space to be occupied, together with an increase in employment to maintain additional mechanized mail handling equipment	627	4,493	
Vehicle service: Increase of 6 percent in maintenance employment and $4,069,000 increase for parts, gasoline, etc., for the increase in the truck fleet	1,038	4,707	
Total	36,581	59,690	96,271
1962 program (estimated obligations)			3,447,000
Included in the above increases are (1) carryover pay cost of $5,176,000; (2) carryover health benefits cost of $687,000; and (3) $194,000 for social security tax rate increases.			
FISCAL YEAR 1963 INCREASES			
Increase or decrease due to—			
Administration of postal installations: Increase in supervisor employment partially offset by a reduction in postmaster employment, plus normal mandatory salary increases	5,265	4,547	
Mail handling and widow service: Increase of 3.7 percent in employment to handle a 4.9 percent volume increase	9,007	48,281	
Collection and delivery service: Increase of 2.1 percent in city carrier employment to service a 3.2 percent increase in workload, and $1,400,000 for the promotion of 14,000 letter carriers to carrier technicians for the new on-the-job evaluation plans; an increase in special delivery messengers for additional areas of service; and increase in rural carriers for the increase in average length of routes	15,700	22,713	
Maintenance service: Increases are due to a 2.5 percent increase in square footage of space, and additional maintenance on mechanical mail handling equipment	393	3,032	
Vehicle service: Increase of 5.1 percent in employment to maintain the 10.1 percent increase in the average number of vehicles, plus attendant increases in parts, gasoline, etc	182	4,519	
Employee compensation fund: Reimbursement to the Federal employees compensation fund (Department of Labor) for injury and death benefits paid in behalf of postal employees	1,361		
Total	31,908	83,092	115,000
1963 program (estimated obligations)			3,562,000

Analysis of estimated increase in obligations, 1961–63

[Dollars in thousands]

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		Total increase	
			Mandatory items	Other costs		Mandatory items	Other costs	Amount	Percent
Average number of positions	567,992	580,023		12,031	595,353		15,330	15,330	2.6
Administration of postal installations:									
Postmasters	$203,872	$207,156	$3,867	−$583	$209,124	$3,095	−$1,127	$1,968	1.0
Supervisors and technical personnel	225,660	234,473	2,450	6,363	242,317	2,170	5,674	7,844	3.3
Subtotal	429,532	441,629	6,317	5,780	451,441	5,265	4,547	9,812	2.2
Mail handling and window service:									
Clerks	1,499,464	1,535,600	11,618	24,518	1,592,888	9,007	48,281	57,288	3.7
Suggestion awards and training and instruction	236		−236						
Subtotal	1,499,700	1,535,600	11,382	24,518	1,592,888	9,007	48,281	57,288	3.7
Collection and delivery service:									
City delivery carriers	956,707	990,600	14,564	19,329	1,025,500	12,708	22,192	34,900	3.5
Special delivery messengers	31,866	32,747	445	436	33,529	271	511	782	2.4
Rural delivery carriers	272,694	275,329	2,208	427	278,060	2,721	10	2,731	1.0
Subtotal	1,261,267	1,298,676	17,217	20,192	1,337,089	15,700	22,713	38,413	3.0
Maintenance service	97,480	102,600	627	4,493	106,025	393	3,032	3,425	3.3
Vehicle service:									
Vehicle service personnel	25,504	27,180	278	1,398	28,600	182	1,238	1,420	5.2
Vehicle maintenance	28,111	31,415	760	2,544	33,855		2,440	2,440	7.8
Contract vehicles	9,135	9,900		765	10,741		841	841	8.5
Subtotal	62,750	68,495	1,038	4,707	73,196	182	4,519	4,701	6.9
Employee compensation fund					1,361	1,361		1,361	
Total operations	3,350,729	3,447,000	36,581	59,690	3,562,000	31,908	83,092	115,000	3.3
Total increase over prior year	345,749	96,271			115,000				
Percent increase over prior year	11.5	2.9			3.3				

GENERAL STATEMENT

The funds provided in this appropriation pay for the operation of post offices, stations, and branches; for the operation and maintenance of vehicles used in the collection and delivery of mail; and for the handling of mail en route. The amount requested for 1963 is $3,562 million, an increase of $115 million over 1962 for the following programs:

		Millions
1. Mail volume increase of 4.9 percent: The estimate includes 12,090 additional clerks, carriers, and supervisors to handle the increased volume based on 1.2 percent improvement in clerical productivity; at this productive rate, the cost for each 1 percent increase in volume amounts to $11,820,000, or a total in this estimate of	----	$57.9
2. Expanded delivery service, vehicle fleet, and maintenance service: Expansion of delivery service area, additional vehicle fleet, and building space occupancy will require an increase in this appropriation of	----	22.9
3. Mandatory increases: Mandatory automatic step increases in excess of turnover savings for the 599,000 employees paid from this appropriation will cost an additional	----	29.0
4. Legislative cost increases: The total increase requested for 1963 includes the following amounts for recent enactedly legislation:		
(a) Reimbursement to the Federal employees compensation fund (Department of Labor) for amounts paid in behalf of postal employees for injuries or deaths that occured during the period Dec. 2, 1960, to June 30, 1961 (Public Law 86–767, approved Sept. 13, 1960)	Millions $1.4	
(b) Social security tax rate increase from 3 to 3⅛ percent effective Jan. 1, 1962, and to 3⅝ percent effective Jan. 1, 1963 (Public Law 87–64, approved June 30, 1961)	1.0	
(c) Salary protection from downgrading actions which are not through the fault of the employee (Public Law 87–270, effective July 1, 1961)	.5	
Total legislative cost increases		2.9
5. New programs: The estimate for 1963 contain the following new program items. Justifications will be found under the accounts affected:		
(a) Promotions of 14,000 carriers to carrier technicians for on-the-job evaluation of city delivery service, $3.9 million, partially offset by $2.5 million savings	1.4	
(b) Additional 163 maintenance employees for new mechanized mail equipment	.9	
Total new program		2.3
Total increase, 1963		115.0

Analysis of Obligations

Postmasters, increase, $1,968,000

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	36,724	36,649	----------	−75	36,474	----------	−175	−175
Average compensation	$5,063	$5,156	----------	----------	$5,233	----------	----------	$77
	In thousands							
Personnel compensation:								
Productive employment	$167,988	$171,327	$3,571	−$232	$173,485	$2,780	−$622	$2,158
Paid absences	17,934	17,632	−147	−155	17,380	35	−287	−252
Total, personnel compensation (11)	185,922	188,959	3,424	−387	190,865	2,815	−909	1,906
Personnel benefits:								
Health insurance	1,740	1,765	38	−13	1,757	----------	−8	−8
Group life insurance	623	633	11	−1	649	19	−3	16
Retirement fund contribution	10,911	11,154	266	−23	11,222	122	−54	68
Social security taxes	425	442	18	−1	492	74	−24	50
Total, personnel benefits (12)	13,699	13,994	333	−38	14,120	215	−89	126
Other costs:								
Travel (21)	83	96	13	----------	99	3	----------	3
Rental allowance, 4th-class offices (23)	4,168	4,107	97	−158	4,040	62	−129	−67
Total, other costs	4,251	4,203	110	−158	4,139	65	−129	−64
Total obligations	203,872	207,156	3,867	−583	209,124	3,095	−1,127	1,968
Total increase over prior year	18,847	3,284	----------	----------	1,968	----------	----------	----------
Percent increase over prior year	10.2	1.6	----------	----------	1.0	----------	----------	----------

JUSTIFICATION

Services provided.—Postmasters manage the operation of approximately 35,000 post offices, and their subsidiary installations. These services include the supervision and administration of mail-handling activities, operation of buildings, finance activities, personnel, and other related services. In its relationship with the public, the Post Office Department is represented by the postmaster in the area.

The funds in this estimate will pay for their salaries and related expenses, and will provide amounts for leave replacements of postmasters at third- and fourth-class offices.

Personnel.—Since the number of post offices is declining and there is one less paid day in 1963, the estimated 36,474 man-years of employment is 0.5 percent less than 1962.

Basis for estimate.—Postal service will be provided with fewer post offices in 1962 and in 1963. In 1961 there was a net reduction of 283 post offices, and a further net reduction of 250 and 183 is planned for 1962 and 1963, respectively. The number of larger offices is increasing while the smaller fourth-class offices are declining. By the end of 1963 it is estimated there will be approximately 1,150 less fourth-class offices than at the close of 1960. Improved and more economical service for patrons of these discontinued offices is provided through facilities of the larger offices or by extension of rural delivery service.

Analysis of the estimate.—As shown in the analysis of obligations, the net increase of $1,968,000 estimated for 1963 is comprised of the following:

(*a*) $3,095,000 is for mandatory items, such as automatic salary increases provided by law, and the attendant increases in fringe items which directly relate to salary dollars.

(*b*) A partial offset or savings of $1,127,000 due to the decrease in number of post offices, and one less paid day in 1963.

ANALYSIS OF OBLIGATIONS

Supervisors and technical personnel, increase $7,844,000

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	29,613	30,689		1,076	31,643		954	954
Average compensation	$7,093	$7,111			$7,127			$16
In thousands								
Personnel compensation:								
Productive employment	$173,490	$180,244	$1,768	$4,986	$186,282	$1,711	$4,327	$6,038
Paid absences	34,078	35,344	419	847	36,512	318	850	1,168
Nightwork differential	2,463	2,645	60	122	2,730	5	80	85
Total personnel compensation (11)	210,031	218,233	2,247	5,955	225,524	2,034	5,257	7,291
Personnel benefits:								
Health insurance	2,008	2,112	46	58	2,177		65	65
Group life insurance	679	720	7	34	744	7	17	24
Retirement fund contribution	12,730	13,164	119	315	13,614	126	324	450
Total personnel benefits (12)	15,417	15,996	172	407	16,535	133	406	539
Other costs:								
Travel (21)	205	244	31	8	258	3	11	14
Transportation of household goods (22)	7			−7				
Total other costs	212	244	31	1	258	3	11	14
Total obligations	225,660	234,473	2,450	6,363	242,317	2,170	5,674	7,844
Total increase over prior year	25,915	8,813			7,844			
Percent increase over prior year	13.0	3.9			3.3			

JUSTIFICATION

Service rendered.—Supervisory duties are performed by post office supervisors, including assistant postmasters, and supervisors located at railway terminals, airmail facilities, transfer offices, truck terminals, and vehicle fleet offices. Supervision is provided for the processing of incoming and outgoing mail, financial and related postal services, and the administrative control and dispatching of the vehicle fleet. This account includes, in addition to assistant postmasters, assistants to the postmasters, assistants to station superintendents and vehicle dispatchers, all other supervisory, clerical, specialized, and technical positions in level PFS–6 and above, except those supervisors in the maintenance service, vehicle maintenance, and mobile mail handling units.

Workload.—The estimated number of man-years to be supervised and the related man-years of supervision to be required are shown in the statement below. The extra leap year day in 1960 has been deducted from the man-year data in addition to making adjustments to include functional transfers to provide comparable percentage increases.

	Clerks-carriers, and special delivery messengers (man-years)	Percent increase	Supervisors and technical personnel (man-years)	Percent increase	Supervisors and technical personnel ratio
1959	420,292		27,251		15.42
1960	432,769	3.0	28,309	3.9	15.29
1961	443,310	2.4	29,613	4.6	14.97
1962 (estimated)	453,308	2.3	30,689	3.6	14.77
1963 (estimated)	467,221	3.1	31,643	3.1	14.77

Personnel.—The estimate for 1963 will provide for 954 additional man-years of employment, an increase of 3.1 percent.

Basis for estimate.—The increase in supervisory and technical employment is related to the increase in clerks, carriers, and special delivery messengers. The estimate for 1963 is based on the 1962 supervisor ratio to clerks, carriers, and special delivery messengers.

Analysis of estimate.—As shown in the "Analysis of Obligations," the increases are comprised as follows:

(*a*) Mandatory increases consisting of longevity and automatic step increases required by law in excess of normal turnover savings along with the related personnel benefits	$2,170,000
(*b*) Other cost increases to provide 954 additional supervisor man-years for the additional number of employees to be supervised. This will provide for the salaries and related personnel cost of the additional employment requested	5,663,000
(*c*) The increase in travel above the mandatory increase of $3,000 is based on the increase in employment	11,000
Total increase	7,844,000

Analysis of Obligations

Clerks, increase $57,288,000

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	267,029	272,832	----------	5,803	282,931	----------	10,099	10,099
Average compensation	$5,177	$5,189	----------	----------	$5,190	----------	----------	$1
	In thousands							
Personnel compensation:								
Productive employment	$1,170,944	$1,202,531	$9,406	$22,181	$1,247,993	$6,892	$38,570	$45,462
Paid absences	171,748	176,406	1,182	3,476	183,123	1,141	5,576	6,717
Night work differential	39,820	36,765	82	−3,137	37,185	----------	420	420
Clerical allowances, 4th-class offices	14	14	----------	----------	14	----------	----------	----------
Total personnel compensation (11)	1,382,526	1,415,716	10,670	22,520	1,468,315	8,033	44,566	52,599
Personnel benefits:								
Health insurance	13,262	13,700	301	137	14,207	----------	507	507
Group life insurance	4,500	4,601	32	69	4,772	26	145	171
Retirement fund contribution	75,259	76,963	479	1,225	79,824	437	2,424	2,861
Social security tax	4,556	4,771	136	79	5,447	511	165	676
Uniform allowance	6	6	----------	----------	6	----------	----------	----------
Total personnel benefits (12)	97,583	100,041	948	1,510	104,256	974	3,241	4,215
Other costs:								
Travel (21)	9,445	9,112	----------	−333	8,795	----------	−317	−317
Transportation of household goods (22)	10	10	----------	----------	10	----------	----------	----------
Contract stations (25)	8,843	9,643	----------	800	10,434	----------	791	791
Reimbursements to Federal Reserve Banks (25)	1,057	1,078	----------	21	1,078	----------	----------	----------
Total other costs	19,355	19,843	----------	488	20,317	----------	474	474
Total obligations	1,499,464	1,535,600	11,618	24,518	1,592,888	9,007	48,281	57,288
Total increase over prior year	151,176	36,136	----------	----------	57,288	----------	----------	----------
Percent increase over prior year	11.2	2.4	----------	----------	3.7	----------	----------	----------

JUSTIFICATION

Service rendered.—The service provided includes the separation and distribution of mail at post offices, stations, branches, and other postal units and on highway and railway post offices. It also includes the rendering of window service to the public, operation of contract stations, dispatch control of vehicles, and reimbursement to Federal Reserve banks for handling direct deposits of postmasters and the processing of paid postal money orders. The salaries and related expense of clerks, mail handlers, mobile unit clerks, and vehicle fleet operation administrative clerks are paid from funds provided in this account.

Workload.—The estimated volume of mail and related man-year requirements are shown in the statement below. The extra leap year day in 1960 has been deducted from the volume and man-year data. Also the man-years are adjusted for functional transfers in 1960 and prior years to provide comparable percent increases.

	Man-years	Percent increase	Mail volume (millions)	Percent increase	Average pieces per man-year
1959	254,359	1.2	61,247	1.9	240,790
1960	261,403	2.8	63,484	3 7	242,859
1961	267,029	2.2	64,933	2.3	243,168
1962 (estimate)	272,832	2.2	66,975	3.2	245,481
1963 (estimate)	282,931	3.7	70,284	4.9	248,414

Personnel.—The estimate for 1963 will provide for an additional 10,099 man-years of employment, an increase of 3.7 percent.

Basis of estimate.—In 1963 it is estimated the postal service will be required to handle approximately 70.3 billion pieces of mail, an increase of 4.9 percent over that of 1962. In 1961 there were 243,168 pieces of mail handled per clerk-mail-handler man-year. This productivity ratio is the highest point so far reached, and it is expected that with continued benefits from the mechanization program, continuation of the revised work measurement system, and additional service facility improvements, the productivity will reach 248,414 pieces in 1963, reflecting a further increase of 1.2 percent in producitivity (an absorption of one-fourth of the volume increase).

Service improvements.—The efficiency increases have been achieved along with better service to the public. Early in fiscal year 1962 a pilot study of a new program know as nationwide improved mail service (NIMS) was inauguarated. This program is to encourage large mailers to schedule their nonpriority first-class and other mail early in the day so as to spread the work volume over the entire day rather than glutting the offices after 5 o'clock in the evening. It is estimated that 80 percent of the total mail volume is processed in the late afternoon hours, of which about half or approximately 25 billion pieces could be mailed earlier in the day.

Analysis of estimate.—As shown in the "Analysis of obligations," the total increase for 1963 of $57,288,000 is comprised of the following:

(*a*) $9,007,000 is for mandatory increases such as automatic and longevity step increases required by law, in excess of normal turnover savings and an increase in social security taxes.

(*b*) $47,807,000 is to pay for the salaries and related fringe benefits for additional employment required to handle the increased mail volume.

(*c*) $791,000 increase for an additional 5 percent in contract station costs to provide 351 additional stations and for the effect of higher property rentals and higher wage standards on these contracts.

(*d*) A decrease of $317,000 is estimated for the travel of mobile clerks due to the continued reduction in railroad post offices.

Analysis of Obligations

City delivery carriers, increase $34,900,000

Item	1961 actual	1962 estimate	Increase or decrease (−) due to:		1963 estimate	Increase or decrease (−) due to:		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	170,782	174,863		4,081	178,565		3,702	3,702
Average compensation	$5,090	$5,144			$5,213			$69
	In thousands							
Personnel compensation:								
Productive employment	$754,661	$780,975	$11,288	$15,026	$808,010	$9,684	$17,351	$27,035
Paid absences	111,218	114,802	1,352	2,232	119,010	1,594	2,614	4,208
Nightwork differential	3,457	3,729	17	255	3,894	49	116	165
Total, personnel compensation (11)	869,336	899,506	12,657	17,513	930,914	11,327	20,081	31,408
Personnel benefits:								
Health insurance	9,980	10,575	232	363	10,798		223	223
Group life insurance	2,825	2,923	41	57	3,026	37	66	103
Retirement fund contribution	49,356	50,861	724	781	52,784	646	1,277	1,923
Social security tax	2,898	3,062	106	58	3,478	386	30	416
Uniform allowances	15,237	15,869	253	379	16,226		357	357
Total, personnel benefits (12)	80,296	83,290	1,356	1,638	86,312	1,069	1,953	3,022
Other costs:								
Travel (21)	12			−12				
Carfare (21)	6,790	7,514	541	183	7,970	304	152	456
Tolls and ferriage (22)	273	290	10	7	304	8	6	14
Total, other costs	7,075	7,804	551	178	8,274	312	158	470
Total obligations	956,707	990,600	14,564	19,329	1,025,500	12,708	22,192	34,900
Total increase over prior year	107,569	33,893			34,900			
Percent increase over prior year	12.7	3.5			3.5			

JUSTIFICATION

Service provided.—City delivery carriers collect and deliver mail to residences and business places of cities and the more heavily populated suburbs of these cities. Generally, delivery is made to the door by carriers; however, in some of the more sparsely settled areas, delivery is to a curbside box by a carrier using a vehicle. Vehicle service drivers pick up and deliver mail at various postal units in the city. During the past fiscal year almost 145 million people received this type of service, which covered an area of 53,410 square miles.

In the Washington, D.C., area there is also provided a mail and messenger service for the Government agencies.

Workload.—The workload is based on the mail volume, the number of possible delivery stops that are to be serviced, and distance to be traveled to perform this service. Because of the movement of the population to less densely settled neighborhoods, the average number of stops per square mile is decreasing, thereby resulting in greater distance to be traveled between stops. However, due to constant study and revisions of route layouts together with the use of mailsters, the average number of stops served per carrier man-year has increased. The following table illustrates these trends and the estimated trends for 1962 and 1963.

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Fiscal year	Number of possible stops (thousands)	Percent increase	Square miles served	Percent increase	Average number of stops per square mile	Average number of stops per man-year worked
1960	35,138	3.3	50,785	7.8	691.9	242.3
1961	36,116	2.8	53,410	5.2	676.2	242.4
1962 (estimate)	37,163	2.9	56,400	5.6	658.9	243.6
1963 (estimate)	38,352	3.2	59,558	5.6	643.9	246.1

Personnel.—The estimate for 1963 will provide an additional 3,702 man-years of employment, or 2.1 percent increase over that estimated for 1962.

Basis for estimates.—It is estimated this service will continue to expand and new areas will be added in 1963 at approximately the same rate of growth as estimated for 1962. Since fiscal year 1959, the square miles of area served by city carriers has increased almost 13.5 percent and 7 million people have been added as patrons of this service.

Savings in this account through the use of mailsters are estimated at $864 per year for each mailster put into use. Additional employment because of mail volume changes are estimated at 15 percent of the volume change. For the projected 4.9 percent volume increase in 1963, man-years are increased 0.7 percent. The factor for reduction in costs due to efficiency in 1963 has been doubled over that shown for 1962. This efficiency increase to 1.4 percent was estimated in view of the anticipated effect of the proposed on-the-job evaluation plan, which will improve the management and operation of the service, together with our continuous program of increasing efficiency through route revisions and better scheduling.

The estimated changes in employment for the various items affecting the man-year requirements are set out in the following table. The man-years are on a comparable basis in each year, having been adjusted for the effect of the extra leap-year day in 1960 on the 1961 increase. These amounts do not include mandatory salary increases.

Item	1961 (actual)		1962 (estimate)		1963 (estimate)	
	Man-year increase	Amount	Man-year increase	Amount	Man-year increase	Amount
Increase for possible stops	4,647	$22,273,000	4,953	$23,740,000	5,596	$26,822,000
Increase for mail volume	498	2,387,000	854	4,093,000	1,224	5,867,000
Decrease for mailster program (savings are noncumulative)	−176	−843,000	−457	−2,191,000	−667	−3,197,000
Decrease for improved efficiency	−151	−723,000	−1,269	−6,081,000	−2,451	−11,750,000
Net additional amount for employment increases	4,818	23,094,000	4,081	19,561,000	3,702	17,742,000

New program.—Because of the tremendous continuing growth in the area to be served, a new program is planned for 1963 whereby a concerted effort will be made to further improve the organizational structure. This program involves the use of 1 experienced letter carrier out of 6 in cities where there are 10 or more routes. Each day he will serve one of the five routes assigned to him. Through his observations and on-the-job evaluation of the routes, adjustments will be made to serve the area more efficiently and economically. No additional man-years are requested for this program.

An additional $3.9 million is included in the 1963 estimate for promotion of approximately 14,000 carriers from level 4 to carrier technicians level 5. This is an estimated $260 per year increase in their average salaries. It is estimated that the program will save approximately 525 man-years, or $2,500,000, that would normally be required to handle the increased workload. This savings is reflected in the estimate for 1963. In addition to the savings resulting from this program it will also improve delivery service by eliminating errors made by the relatively inexperienced relief carriers. It will also tend to improve the efficiency of all carriers in that it provides additional promotion opportunities for conscientious employees. The carrier position will no longer be a "dead-end" job.

Analysis of the estimate.—As shown in the "Analysis of obligations," the total increase for 1963 of $34,900,000 is comprised of the following:

(*a*) $12,708,000 is for mandatory increases such as automatic and longevity step increases required by law, in excess of normal turnover savings, and a slight increase in social security taxes;

(*b*) $20,792,000 is to pay for the salaries and related fringe benefits, for the net additional employment required to provide the additional service estimated; and

(*c*) $1,400,000 is for the on-the-job evaluation program and will provide a $260 average salary increase for 14,000 carriers plus attendant increases in their fringe benefits.

ANALYSIS OF OBLIGATIONS

Special delivery messengers, increase $782,000

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	5,499	5,613	----	114	5,725	----	112	112
Average compensation	$5,220	$5,261	----	----	$5,285	----	----	$24
	In thousands							
Personnel compensation:								
Productive employment	$25,355	$26,082	$373	$354	$26,716	$223	$411	$634
Paid absence	3,039	3,129	38	52	3,210	25	56	81
Night work differential	312	320	4	4	329	2	7	9
Special delivery fees	286	273	----	−13	260	----	−13	−13
Total personnel compensation (11)	28,992	29,804	415	397	30,515	250	461	711
Personnel benefits:								
Health insurance	243	251	6	2	253	----	2	2
Group life insurance	73	75	1	1	77	----	2	2
Retirement fund contribution	1,332	1,372	22	18	1,410	17	21	38
Social security tax	37	39	1	1	44	4	1	5
Uniform allowances	345	352	----	7	360	----	8	8
Total personnel benefits (12)	2,030	2,089	30	29	2,144	21	34	55
Other costs: Equipment maintenance allowance (22)	844	854	----	10	870	----	16	16
Total obligations	31,866	32,747	445	436	33,529	271	511	782
Total increase over prior year	3,199	881	----	----	782	----	----	----
Percent increase over prior year	11.2	2.8	----	----	2.4	----	----	----

JUSTIFICATION

Service provided.—Special delivery service provides immediate delivery within prescribed delivery hours to points within 1 mile of any post office without city delivery service, to points within the delivery limits of any post office having letter carrier service, and to points within one-half mile of a rural route. This estimate covers the salaries, vehicle allowances, and related expenses of special delivery messengers at the first-class offices and the fees paid to rural carriers and other messengers.

Workload.—The estimated number of square miles served, and related man-year requirements are shown in the statement below. The extra leap-year day in 1960 has been deducted from man-year data to provide comparable percentage increases.

Personnel.—The estimate for 1963 will provide for an additional 112 man-years of employment, an increase of 2 percent.

City delivery area

Fiscal year	Square miles served	Percent increase	Man-years (comparable)	Percent increase
1960	50,785	7.8	5,402	1.5
1961	53,410	5.2	5,499	1.8
1962 (estimate)	56,400	5.6	5,613	2.1
1963 (estimate)	59,558	5.6	5,725	2.0

Basis for estimate.—Employment has been estimated to increase 2 percent. This estimated increase in man-years is due to the ever widening area covered by city delivery service caused by the continued growth of suburban areas. The city delivery square miles served is estimated to increase 5.6 percent in 1963. This increase in delivery area results in greater distance of travel and consequently more time is required to make deliveries. This has a depressing force on the average number of articles delivered per special delivery messenger. Only through constant and continuing attention to maintaining peak production per messenger and because of some decline in the number of special delivery items is it possible to provide service to the 5.6 percent increase in delivery area and to provide for salaried messengers at 93 additional first-class offices with a 2 percent increase in man-years.

Analysis of estimate.—As shown in the "Analysis of obligations" the total increase for 1963 of $782,000 is comprised of the following:

(*a*) Two hundred and seventy-one thousand dollars is for mandatory increases covering automatic and longevity step increases required by law, in excess of normal turnover savings.

(*b*) The remaining increase of $511,000 provides $495,000 to pay the salaries and related fringe benefits of the additional employment. The balance of $16,000 is for the increase in the payment to messengers for the use of their privately owned vehicles at offices where Government vehicles are not available. Messengers are paid at the rate of 90 cents per hour and the increase requested is based on the additional employment.

Analysis of Obligations

Rural carriers, increase $2,731,000

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	35,676	35,654	----------	−22	35,519	----------	−135	−135
Average compensation	$5,662	$5,719	----------	----------	$5,788	----------	----------	$69
	In thousands							
Personnel compensation:								
Productive employment	$176,141	$177,502	$1,443	−$82	$179,029	$2,207	−$680	$1,527
Paid absences	25,847	26,408	599	−38	26,556	256	−108	148
Total personnel compensation (11)	201,988	203,910	2,042	−120	205,585	2,463	−788	1,675
Personnel benefits:								
Health insurance	2,147	2,194	48	−1	2,193	----------	−1	−1
Group life insurance	601	607	6	----------	610	7	−4	3
Retirement fund contribution	11,189	11,267	86	−8	11,344	134	−57	77
Social security tax	860	886	26	----------	984	117	−19	98
Total personnel benefits (12)	14,797	14,954	166	−9	15,131	258	−81	177
Other costs: Equipment maintenance allowance (22)	55,909	56,465	----------	556	57,344	----------	879	879
Total obligations	272,694	275,329	2,208	427	278,060	2,721	10	2,731
Total increase over prior year	19,927	2,635	----------	----------	2,731	----------	----------	----------
Percent increase over prior year	7.9	1.0	----------	----------	1.0	----------	----------	----------

JUSTIFICATION

Service provided.—These carriers deliver mail to patrons in rural and outlying suburban areas, and also sell postage to and accept requests from their patrons for the purchase of money orders. In certain instances where other transportation is not provided, rural carriers also transport mail between smaller offices on their routes. In fiscal year 1961 rural carriers traveled approximately 545 million miles, serving 9 million families over 31,341 routes. The funds provided in this estimate will pay the salaries of these carriers, their equipment maintenance allowances, and other related expenses.

Workload.—It is estimated there will be 31,307 routes in fiscal year 1963 requiring approximately 559 million miles of travel, an increase of approximately 8.6 million miles. While the number of routes are estimated to be less in 1963, the service will be extended to cover more area. The average length of routes is estimated to increase from 58.4 miles to 59.5 miles in 1963 over 1962.

Personnel.—The estimate for 1963 will provide 135 less man-years of employment, mainly because of 1 less paid day in 1963, and also because of a slight decline in the number of routes.

Basis for estimate.—In fiscal year 1961 there were 174 new rural routes established, 115 discontinued by consolidation with other routes, 83 heavily patronized routes were converted to city delivery service, and approximately 10 million additional miles were traveled due to extensions. A continuation of this program is estimated for 1962 and 1963.

Analysis of estimate.—As shown in the "Analysis of obligations," the increases or decreases are:

(*a*) Mandatory increases consisting of longevity and automatic step increases required by law in excess of normal turnover savings along with the related personnel benefits. Also included is $117,000 for the tax rate increase for social security	$2,721,000
(*b*) Other salary and personnel benefit costs for the increase in average length of routes are offset by a reduction in the total number of routes from 31,322 to 31,307 and one less paid day in 1963. The net salary reduction is $788,000, and the related personnel benefits decrease amounts to $81,000	−869,000
(*c*) A minimum equipment maintenance allowance of $3.50 per day, or 10 cents per mile traveled whichever is greater, is paid to each carrier. In addition, on certain heavily patronized routes, carriers may receive up to $2.50 extra equipment maintenance per day. Also tolls and ferriage required to be paid by these carriers are paid from these funds. The increase in this item will provide for these payments on the estimated 8.6 million additional miles to be traveled in 1963	879,000
Total increase	2,731,000

Analysis of Obligations

Maintenance service, increase $3,425,000

Items	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	18,193	18,977		784	19,510		533	533
Average compensation	$4,652	$4,670			$4,688			$18
	(In thousands)							
Personnel compensation:								
Productive employment	$71,311	$74,625	$405	$2,909	$76,934	$291	$2,018	$2,309
Paid absences	11,847	12,450	115	488	12,840	52	338	390
Night work differential	1,468	1,550		82	1,693	3	140	143
Contract job cleaners	6,097	6,793		696	7,116		323	323
Total, personnel compensation (11)	90,723	95,418	520	4,175	98,583	346	2,819	3,165
Personnel benefits:								
Health insurance	944	1,011	22	45	1,042		31	31
Group life insurance	284	301	2	15	311	1	9	10
Retirement fund contribution	5,177	5,493	76	240	5,677	22	162	184
Social security tax	211	227	7	9	258	24	7	31
Uniform allowances	109	115		6	119		4	4
Total, personnel benefits (12)	6,725	7,147	107	315	7,407	47	213	260
Other costs: Travel (21)	32	35		3	35			
Total obligations	97,480	102,600	627	4,493	106,025	393	3,032	3,425
Total increase over prior year	11,395	5,120			3,425			
Percent increase over prior year	13.2	5.3			3.3			

JUSTIFICATION

Service provided.—Maintenance service provides for the maintenance, protection, and cleaning of Government-owned buildings and leased premises housing postal facilities; operation of mail-handling elevators; maintenance and repair of mechanical mail handling and office equipment. Services are also provided by contract job cleaners generally at second-class offices, and at classified stations and branches of first-class offices.

Workload.—The estimated square footage and the related man-year requirements are shown in the statement below.

Personnel.—The estimate for 1963 will provide for 533 additional man-years of employment, an increase of 2.8 percent. Of this 533 increase, 366 man-years are for maintenance employees leaving 167 or a 1.3-percent increase to provide protection and cleaning of the 2.5-percent increase in space.

	1961 actual	1962 estimate		1963 estimate	
		Amount	Percent increase	Amount	Percent increase
Square feet of space occupied (thousands)	105,053	108,483	3.3	111,211	2.5
Man-years:					
Maintenance	$6,148	$6,535	6.3	$6,901	5.6
Protective and cleaning	12,045	12,442	3.3	12,609	1.3
Total	18,193	18,977	4.3	19,510	2.8

Basis for estimate.—The continued expansion of the postal facilities improvement program and the mechanization of major postal installations, together with the estimated 2.5-percent increase in square feet of interior space occupied is the basis for the increase in total employment for 1963.

Analysis of estimate.—As shown in the "Analysis of obligations" the total increase for 1963 of $3,425,000 is comprised of the following:

(*a*) $393,000 is for mandatory increases such as automatic and longevity step increases as required by law in excess of normal turnover savings, and a slight increase in social security taxes.

(*b*) $860,000 is to pay for the 163 additional man-years of maintenance employment to service new mechanical mail-handling equipment.

(*c*) An increase of $1,849,000 will provide for the salaries and fringe benefits for the 370 additional man-years to handle the protection, cleaning, and maintenance of the additional space to be occupied in 1963.

(*d*) The remaining increase of $323,000 is for contract job cleaners to care for the increase in space to be occupied.

ANALYSIS OF OBLIGATIONS

Motor vehicle service, increase $4,701,000

Items	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	4,476	4,746	----	270	4,986	----	240	240
Average compensation	$5,311	$5,337	----	----	$5,345	----	----	$8
	In thousands							
Personnel compensation:								
Productive employment	$20,262	$21,574	$230	$1,082	$22,698	$147	$977	$1,124
Paid absences	2,864	3,070	31	175	3,229	20	139	159
Night work differential	646	684	----	38	722	3	35	38
Total, personnel compensation (11)	23,772	25,328	261	1,295	26,649	170	1,151	1,321
Personnel benefits:								
Health insurance	249	271	6	16	285	----	14	14
Group life insurance	74	79	1	4	83	----	4	4
Retirement fund contribution	1,314	1,395	10	71	1,468	10	63	73
Social security tax	52	55	----	3	60	2	3	5
Total, personnel benefits (12)	1,689	1,800	17	94	1,896	12	84	96
Other costs: Travel (21)	43	52	----	9	55	----	3	3
Total obligations, vehicle personnel	25,504	27,180	278	1,398	28,600	182	1,238	1,420
Vehicle repair, maintenance, and operation (25) (26)	28,111	31,415	760	2,544	33,855	----	2,440	2,440
Contract vehicles (22)	9,135	9,900	----	765	10,741	----	841	841
Total obligations	62,750	68,495	1,038	4,707	73,196	182	4,519	4,701
Total increase over prior year	7,693	5,745	----	----	4,701	----	----	----
Percent increase over prior year	14.0	9.2	----	----	6.9	----	----	----

JUSTIFICATION

Vehicle personnel, increase $1,420,000

Service provided.—This estimate provides for the payment of salaries of field personnel engaged in the maintenance of Government-owned vehicles.

Workload.—It is anticipated that in 1962 the vehicle fleet will be increased by 2,759 mailsters and 1,172 regular vehicles, and in 1963 it will be increased by 3,171 mailsters and 394 regular vehicles. Based on the projected delivery schedule, these increases in the fleet will result in average increases in 1963 of 3,700 mailsters and 504 regular vehicles, for a total increase in average number of vehicles in use

of 10.1 percent. For this increase in fleet, an increase of 5.1 percent in vehicle maintenance employment is requested.

Personnel.—The estimate for 1963 will provide for an additional 240 man-years of employment, an increase of 5.1 percent.

Basis for estimate.—The estimate is based on increases in personnel due to the increased size of the regular fleet and the continuation of the increased use of mailsters in the carrier mechanization program. The cost related to increased mailster use is offset by savings in the city delivery account.

Analysis of personnel estimate.—As shown in the "Analysis of obligations" the total increase for 1963 of $1,420,000 is comprised of the following:

(*a*) $182,000 is for mandatory increases covering automatic and longevity step increases required by law, in excess of normal turnover savings.

(*b*) The remaining $1,238,000 provides for the salaries and related fringe benefits of the additional employment.

Vehicle repair, maintenance, and operation, increase $2,440,000

Legislation affecting activity.—The Federal-Aid Highway Act of 1961, Public Law 87–61, effective July 1, 1961, continued the 1-cent-per-gallon Federal gasoline tax contained in Public Law 85–342 and increased taxes on tires 2 cents per pound (from 8 to 10 cents) and innertubes 1 cent per pound (from 9 to 10 cents). The tax on tires and tubes is an excise tax based on the total weight of the tires and tubes. These mandatory increases in 1962 on tire and tube taxes amount to $57,000. The 1-cent gasoline tax included amounts to $703,000.

Basis for estimate.—This estimate provides for the cost of gasoline, oil, parts, tires, tubes, and contract maintenance required in the operation of the Government-owned vehicle fleet.

The program for 1963 is based on 427,346,609 miles of operation of regular vehicles, an increase of 4.6 percent, and 45,938,506 miles for the one-quarter ton mailsters used in the carrier mechanization program, an increase of 48.1 percent. The total miles of operation amount to 473,285,115 miles, an increase of 7.7 percent. It is estimated there will be an increase in the utilization of these Government-owned vehicles of 5 percent for mailsters and 3 percent for the regular vehicles. The average miles operated per vehicle in 1963 is estimated at 12,924 for the regular fleet and 3,611 for the mailsters, as compared with 12,548 and 3,439, respectively, in 1962.

The average cost of operating Government-owned vehicles in 1961 was 6.9 cents per mile. It is estimated that there will be a slight increase in this cost to 7.2 cents in 1963.

This increase is primarily due to the increased mailsters fleet which are used in the suburban areas. Very few of these outlying postal stations have garages or facilities for storing gasoline and oil. Consequently the gasoline and oil is purchased for mailsters from retail outlets at retail prices including State taxes. The average cost per gallon of gasoline and a quart of oil for mailsters use is approximately 4.6 cents per gallon and 3.8 cents per quart greater than the average cost for all other vehicles. The larger vehicles are based primarily at Government-owned vehicle facilities and are fueled with gas and oil purchased in wholesale quantities, exclusive of State and other local taxes.

Analysis of repair, maintenance, and operation estimate.—The total repair, maintenance, and operation cost is estimated to increase $2,440,000 because of the larger fleet and increased utilization. This increase is composed of $1,178,000 for contract maintenance, $628,000 for gasoline, and $481,000 for parts. The remaining increase of $153,000 is required for additional oil, tires, and tubes.

Contract vehicles, increase $841,000

Basis for estimate.—This estimate provides funds for vehicles contracted for at hourly or annual rates in lieu of Government-owned vehicles for local transportation. These vehicles are generally used for periods of less than 4 hours a day, and as utilization demands increase, Government-owned vehicles are assigned, as available.

The cost of these vehicles is estimated to increase $841,000 or 8.5 percent over 1962. Contract vehicles are not used where the assignment of Government-owned vehicles is more economical.

Mr. GARY. We have with us this morning the Assistant Postmaster General for the Bureau of Operations, Mr. Frederick C. Belen. Mr. Belen was a former neighbor of mine in the Old House Office Building when he was serving as chief clerk of the Post Office and Civil Service

Committee. I came to know him at that time, and I can vouch for his knowledge of postal operations and his ability. We are pleased to have you with us this morning, Mr. Belen, and will be glad to hear you at this time.

Mr. BELEN. Thank you, Mr. Chairman. I do not have a prepared statement. I have brought with me Mr. Charles H. Ryan, who you may recall is the successor to Mr. Barnes as one of my deputies. He does not have the same responsibilities as Mr. Barnes, but in our reorganization we continued the two deputies we had before but with somewhat different responsibilities.

BIOGRAPHY OF MR. CHARLES H. RYAN

I do not know what your procedure might be. He has no statement but, with your permission, I would like to submit a copy of his biography at this point for the record.

Mr. GARY. Without objection it will be inserted at this point in the record.

(Mr. Ryan's biography follows:)

BIOGRAPHIC STATEMENT

Mr. Charles H. Ryan, Deputy Assistant Postmaster General for Operations.

Mr. Ryan, 43, of Warren, R.I., served from February 1961 as Special and then Executive Assistant to the Assistant Postmaster General for Operations.

From 1955 to 1961 he served on the staff of former Senator Theodore F. Green of Rhode Island and has extensive experience in dealing with executive agencies, including the postal service. Mr. Ryan was particularly active as an aid on the Senate Committee on Rules and Administration.

From 1950 to 1955 he was with the Immigration and Naturalization Service, including service as administrative aid to the Assistant Commissioner heading the Investigations Division.

From 1945 to 1949 he worked with the Navy at Quonset Point, R.I., and his earlier work experience included employment in the construction industry in Rhode Island. During World War II he served in the Army as a sergeant in artillery.

He was born in Providence, R.I., and attended public schools at Warwick, R.I., and Bryant College in Providence.

He is married to the former Henriette Cote of Warren, R.I., and they have five children.

Mr. BELEN. He was formerly with Senator Green, whom we were all very fond of. On my own, regardless of his biography, one reason he was appointed was because of the outstanding job he did for me as my executive assistant during the last year.

GENERAL STATEMENT

As I said, I do not have a prepared statement. Postmaster General Day in his opening remarks covered in general the progress that the Post Office Department has made during the past year. I want to say this personally. I look upon it as a real privilege to have had this opportunity to serve with the Post Office Department at this time. I guess it was just about a year ago when the President was deciding on who to name for this position. One of the questions he asked was: What does the chairman of the Appropriations Committee think about it? Thinking in terms of Mr. Gary. I guess you are well aware that I disturbed you one Saturday afternoon to try to determine the answer.

I am very grateful for this opportunity, not only for the initial impetus given me in starting off on this position, but the help and support that we have had through this year from you, Mr. Chairman, and from members of your committee and your staff. I was particularly pleased that one of our programs, that I do want to mention later, received the attention of Mr. Gunnels. He came to the Department and saw how we were working with the Government agencies to familiarize them with the importance of scheduling routine mail before the Post Office peakload period.

SCHEDULING ROUTINE MAIL

On that particular program, I think the committee might be interested to know that the Department of Commerce was given an award. They mail around 40 million pieces of mail a year. This mail was deposited in the post office at the end of each day. They reviewed their program and decided that 30 of that 40 million could be scheduled before the peakload period, helping their operation and helping ours, too.

WORK MEASUREMENT SYSTEM

We have tried in every way to do a good job for the committee. You are probably as much aware of this as we are. We did have a very tight budget as a result of the budget process and the appropriation activities last year. It set up a very real target for us to attempt to reach. We started out with normal problems for a new administration coming in, but it was even more than that. There was groundwork laid for a feeling on the part of employees that the work measurement system would be eliminated. They had received some information indicating that it would be dispensed with or at least virtually dispensed with on January 14.

As a result, coming in on the 20th, there was a great deal of disappointment when it was found that there was not going to be a change; and that we were going to do everything we could not only to make it more workable, but to use the results of the work measurement system.

I would say that we spent off and on about the first 60 days in meetings, to work out the problem. We set up a joint departmental committee with representatives from bureaus that were concerned. We came up with what we felt was a very workable work measurement program. We met the issues that the employees presented, except, of course, their desire for no work measurement at all. This program, as you know, covers around 370 million hours a year. It is probably one of the biggest work measurement programs in existence. It covers a very substantial part of our payroll.

We found during the "slide" period, when they thought there would be no work measurement system, that in one post office alone the productivity dropped to the point that it was costing us about $1½ million a month. That taught us a number of lessons. Among them, that communications with our major activities is important and that we must be constantly alert as to just how things are progressing.

Ultimately we will work out a program that will measure productivity of the different facilities. It will measure the productivity within the facilities, that is, by specific tours or by specific activity,

as well as give us some indications as to the relative progress of post offices in our whole system.

We tried to emphasize that this is not any built-in automation for supervisors. It is only a tool which can be used to ascertain how they are doing, and represents only one of the factors in weighing the relative productivity of an individual, a tour, or a post office.

We have taken some very direct actions with post offices to improve their operation with respect to efficiency. I sent one specific letter out to the post offices, which I think for the first time alerted postmasters to the fact that they did have the responsibility to caution employees who were not performing up to standard. In that particular memorandum, which was sent to 81 post offices where productivity had declined. We advised each office that we were going to determine where the fault lay; whether it was the postmaster, the supervisors, or the employees. We felt that as a minimum they should caution the employees who were substantially below the performance of other employees in that particular post office.

That approach to the productivity problem was discussed with the employee organizations. One thing I want to emphasize is that we do have, I believe, very good relations with employee organizations. We have found them very helpful. We have found it helpful to call them in advance and explain why we have to do the things we are called upon to do. My general approach has been that once the Appropriations Committee and the Congress has acted, we are in pretty much the same position as the organizations are in their own financial affairs. We are not in the position of creating money or dollars. We must live within our budget.

To the extent that we do our work well, to that extent we would be able to work in some of the nicer things that we would like to do. I felt a real obligation on my part to see that our budget was not siphoned off by the employee who was not carrying his share of the burden.

RESPONSIBILITY OF EMPLOYER AND UNION

On that basis, I think the employee organizations felt also a responsibility to see that everybody did his share. I am really proud of the performance of the 580,000 employees in the postal service. When we started last January 20, 1961, it looked like we would be $20 million short by the end of the fiscal year. When they were made aware of our problem, the employees understood the situation and helped us live within the funds appropriated. We certainly all know we had last year one of the toughest winters. We also had a lot of other operating problems. We went through a reorganization, which is helping us to do a better job.

I have always tried to keep in mind as I did my job that I am only one individual. It takes a lot of people to move the mail. It takes a lot of people to set the policies to operate the postal service without creating a lot of difficulties for the public.

DELAYS IN MAIL

I look upon these hearings not only as a forum in which we plead for funds for the next year but sort of a place where we present a little accountability of what we did. I think one of the main things that

we discussed here last year was errors and delays in mail. I think we decided together that if mail goes through the normal processing, it just cannot possibly be delayed, as you read occasionally in the press. I think at that time, Mr. Chairman, we discussed the process of sending the Richmond paper to Washington by way of New York at one time. When that was corrected, we got a lot better service.

IMPROVEMENTS IN EFFICIENCY AND SERVICE

As a result of that experience, we have geared our activities to trying to eliminate errors. In the first place, we found errors occur where you have inexperienced employees. We found, that during the peak load, we receive about 81 percent of the mail after 5 o'clock. We were hiring around 84,000 temporary employees to process this mail so as to make the available dispatches.

We also found errors being caused by the utility carrier who carries a route on the day the regular carrier is off. Through a new program that we would like you to consider in detail, many errors in the delivery service will be eliminated. We have also set up a unit which follows through on complaints. Previously when complaints came in to the Bureau, they would be handled by the division concerned. Now they are handled by one branch that is concerned with complaints, and they work pretty much as I was accustomed to working here at the Capitol. Instead of their sending the complaints to a bureau, they pick up the phone and talk to the man who has the answer. We found in 24 hours we could answer 89 percent of the letters, while under the old system it took as much as a week to process them through the Bureau.

COST INCREASES FOR FISCAL YEAR 1963

With respect to our budget request for 1963, it is $3,562 million; $57.9 million of the amount requested is for the 4.9-percent increase in anticipated mail volume, $22.9 million is programed for the expansion of the delivery service.

Mr. PILLION. What page is that on in the justifications?

Mr. BELEN. Page 20.4. We expect to add 1,189,000 new delivery stops. There will be expansion of the operation and maintenance of a larger vehicle fleet. This is caused by the growth of suburbs and peripheral areas around cities.

Cost increases resulting from legislation total $2.9 million. This includes $1.4 million for reimbursement to the Federal employees compensation fund. I might say at this point, Mr. Chairman, that we have established an entirely new program with respect to accidents. I think that we are going to show you some good results. The key to the program is that we have informed our postmasters that they will be evaluated in part on the safety performance at their particular facilities.

SAFETY PROGRAM

The safety program is under the direction of the Bureau of Personnel, but the real feature of the safety program that will be changed is that supervisors all along the line are going to have a responsibility to see that working areas are safe and see that employees conduct

themselves safely and realize that it will be a part of their own evaluation.

LEGISLATIVE INCREASES

Another part of that $2.9 million increase is the result of other legislation, such as the social security tax increase.

MAINTENANCE PERSONNEL

The maintenance of additional mechanized equipment will require 163 maintenance employees at a cost of $0.9 million.

CARRIER TECHNICIAN RECLASSIFICATION PROGRAM

We do have the one new program—it is listed as a new program, although I do not personally consider it as such. It is a new approach to our delivery service. It will have a net cost effect of $1.4 million in 1963. This relates to the reclassification of 14,000 city letter carriers to carrier technicians. The cost of that program is actually $3.9 million. That is pure mechanics of multiplying 14,000 times $280, $260 is salary increase and $20 in fringe benefits.

Mr. GARY. Who does that reclassification?

Mr. BELEN. The reclassification is being done this way. We will set up the new responsibilities for this position The carrier technician is to be familiar with five routes. He will replace the utility carrier. This will eliminate the high turnover because under the present system the utility carrier takes another route as soon as he can. We find that is where the errors cropped up. If he does not know how to properly set up his route, he might get a letter that should be at the beginning of the route at the end, so it goes back to the post office and a delay occurs.

This new program has been suggested by people a number of times. The program really got its start at a meeting held with the 40 postmasters right around Washington when I first assumed this responsibility. It seemed that every place we went, people were complaining about delays in mail. So I called together the postmasters of this area for two reasons: One, to tell them we had to see that mail was not delayed and that these errors were cut back, and, secondly, I found it a good forum to weigh my own thinking against the men who operate the postal service at the local level.

ERRORS IN DISTRIBUTION

In our meetings, we had a number of good suggestions. This is a rather interesting one that came from a postmaster who said he had gone out to his employees and explained to them the real importance of their job. He emphasized the importance of the employee at the end of this 580,000-man pyramid, and how an error in distribution could delay an important letter of a patron. As a result of that talk, errors were reduced by 53 percent.

CARRIER REPLACEMENT

Another postmaster then brought up the fact that because employees are highly organized, seniority plays a big part in the assign-

ment of employees. The job that is most important in the postal service, replacing a letter carrier on his day off, is performed by the least qualified carrier. When a new employee is hired, he is not assigned to one route, instead he replaces other employees on their day off. As soon as a route is available, he will take it. This causes a chain reaction and a large turnover on city carrier routes. Because of this, the postmaster suggested that we should make some change in this area. Establishing a higher level for this type of position is not new; it is done in almost any delivery service type of organization. For example, it is the route foreman in the laundry business who handles this route on the day off of the employee, so that you do always have a qualified individual. The carrier technician would handle the training of new employees on the five routes. He will be able to tell us where we can add patrons on these five routes. He will be a man, first of all, who will have reached the top of his grade. In other words, he will be a senior man whose judgment will be reliable.

COST OF PROGRAM

The net cost, as you can see, is a very small part of the payroll. We will have these people up in a position where we can see how they deal with others. It will give them a better opportunity to move along for consideration for promotion to foreman and others.

PROMOTION OF LETTER CARRIERS

The letter carriers, up to now, have done rather well for promotion to postmasters because of their community contacts. However, there has been a lag in promoting them to higher supervisory positions.

Mr. ALEXANDER. Under this reclassification, Mr. Belen, that you are doing for the letter carriers, is that done by seniority or is that a new position that you take the best qualified man and put into this slot?

Mr. BELEN. No, this is done almost strictly on seniority. We have done it on this basis. He must be at the top of his grade before he can get this promotion. There was quite a struggle at the time Public Law 68 was put through. The level 4 was given just a little higher pay structure than the other levels. As a result, you do not have a very big gap between level 4 and level 5.

Because of seniority, the very senior man has what he considers the most desirable route. He has a pretty big decision as to whether he is going to take the five routes, four of which he would have to learn. We are testing this program out currently in Cincinnati. There are around 130 such positions at Cincinnati. They were put up for bid. Only 84 of them were actually bid in by those who could qualify for the level 5. We have filled the other positions, but they are with people who will have to wait a year or so before they qualify for the grade.

Mr. ALEXANDER. What is this grade?

Mr. BELEN. Level 5. It is $260 more than they would be getting at the top of level 4.

NUMBER OF LEVEL 5 CARRIERS

Mr. ALEXANDER. How many people do you have that would be put into this new reclassification?

Mr. BELEN. We estimate around 14,000. Most of the cost will be absorbed because of the improved efficiency. We estimate a savings of $2.5 million of that from the improved service. Of course, it is costly, too, when you have to carry letters back because of the errors. We feel this will give better service.

As I say, our whole general approach to anything we have done this past year—we hope to continue it in the future—is to test these things before we put them in effect, because we are dealing with a tremendous organization. While we might have some ideas about what could be helpful, we want to be sure we are right before we go changing the public's mail system around.

POSTAL SERVICE PROBLEMS

One of the first things that Mr. Day did when he took office was to call the staff he had gathered together and discuss what we felt were the biggest problems of the postal service. For my part, I told him that from what I had observed in my previous position, one of the greatest single problems we had was the problem of receiving over 80 percent of our mail after 5 o'clock.

INCREASES OVER 1962 APPROPRIATION

Mr. GARY. Excuse me. I am very much interested in that, but have you finished with the increases?

Mr. BELEN. I have finished with the carriers unless there is something you want to ask about.

Mr. GARY. Have you finished with the increases?

Mr. BELEN. Yes.

Mr. GARY. That does not add up to the $128 million.

Mr. BELEN. In "Operations," I had $115 million, 3.3 percent.

Mr. GARY. Our figures show an increase over 1962 of $128 million.

Mr. BRUCE. There was a transfer of $13 million; $115 million plus $13 million accounts for the $128 million.

Mr. GARY. $128 million over the current year's appropriation.

Mr. BRUCE. It is $115 million over the amount that we will actually spend for operations this year.

Mr. BELEN. Yes.

Mr. ALEXANDER. My addition shows only $88 million.

Mr. NICHOLSON. If you check pages 20.4 and 20.5, on those pages is a schedule which adds up to the $115 million.

Mr. GARY. You gave us $2.9 million and it is $29 million.

Mr. BELEN. $29 million is for automatic salary step increases.

Mr. GARY. We did not get that.

Mr. ALEXANDER. That still gives me only $104 million.

Mr. PILLION. Page 20.2 shows the differential, which makes $115 million. Take $13 million more that they put into the 1962 over and above our original appropriation, and that makes $128 million.

(Discussion off the record.)

Mr. GARY. Where did you transfer that from?

Mr. BELEN. "Transportation" and "Plant and equipment" appropriations.

Mr. GARY. You may proceed. I think we needed that explanation.

PEAK LOAD MAILINGS (NIMS PROGRAM)

Mr. BELEN. One of the greatest problems was the peak load after 5 p.m. mailings. To test it, we started out with a sample program here in Washington. If we can do as well in the other offices—Washington had about a 3-month lead—we hope that within 12 or 18 months, we will have an improved program. The trend, at least, is moving in that direction.

This program is not designed for savings but more for efficiency. We are faced this year with about 70 billion pieces of mail. By 1970 this will be up to 90 billion pieces of mail. It will be physically impossible to handle these large volumes of mail like you would be handling it for individuals. I think this program gives a little different approach to the operation of the postal service. Up to now the whole emphasis has been to treat everybody the same.

We find that by dealing more directly with the large mailers of first-class mail, we are able to give better service to the other patrons. One of the places we started was right here at the Capitol. We found that out of your folding rooms, which is in a sense your bulk mail, the questionnaires, the speeches, the yearbooks, that sometimes there were as many as 200,000 pieces on the same truck that carried your letters from the Capitol. In the Washington post office we received an average of 2½ million pieces a day. Two million were coming in at 5 o'clock.

We could not distinguish between one letter coming from the Capitol and another. We processed mail in the sequence in which it was received.

We had a meeting with the officials here in the Senate and the House, and arrangements were made for a 2:30 p.m. pickup of the folding room mail. We are not delaying speeches or other material that was programed by Congressmen for a certain day; it just means they would be prepared and ready to leave at 2:30. As a result, they were getting better service. If you would just go over to Union Station, you would observe that the main trains that take surface mail leave between 5 and 6 o'clock. All your mail was missing those dispatches.

SAVINGS IN NIGHT DIFFERENTIAL COST

It is true that it is less costly to process mail before 5 o'clock. We are saving a certain amount of night differential pay at the originating point, but we are adding some night differential at the receiving point before 6 a.m. because mail is now arriving earlier at the destination for process for next day delivery. In spite of this, we are reducing night differential, but more important it is giving better service. We have been very pleased with the response of the local mail users councils. In Richmond and Buffalo we have had very outstanding success.

MAILINGS AT STATE CAPITALS

Oddly enough, when we analyzed where the mail was coming from at Richmond, we found 70 mailers accounted for 60 percent of the

mail. At many of the State capitals, we have done better than most other places because we have had proclamations by 35 Governors, directing their executive departments to cooperate. They, too, found that millions of license applications were being mailed with the important letters of the Governors.

INSURANCE PREMIUM MAILINGS

We talk to the insurance company about their premium notices. Also to the banks about their statements. All of this volume is partially responsible for this growth of the postal service. Bank by mail is now fifth in importance. Fifty percent of the savings and loan business is done through the mail. Many insurance companies do 98 percent of their renewal business through the mail. They are interested in good service. The payoff is in this particular program.

MAIL USERS COUNCILS

We have a number of areas where we feel the mail users councils can help. They did help on our Christmas program. We think they are going to help us to better utilize our mechanical equipment. In Hartford, Conn., for example, the insurance companies are sending the mail to the post office in the containers that fit right into our mail flow system. There are a lot of things they are willing to do to get better service.

This is how mailers are benefiting. In Pittsburgh the head of the mail users council is from the telephone company. He said that because of his position with the mail users council, he wanted to cooperate, so they scheduled their billings and they put them in at 8 o'clock in the morning. Then they found, particularly on the business routes, that the bills were being delivered that same afternoon. They were getting complaints about the billing and the complaint desk had not received the initial billing cards from within their own organization.

Mr. PILLION. You cannot win in some cases.

Mr. BELEN. They decided to bring them in at noon to be sure they got these bills the next day. The volume from these mailers is very large. One mailer pointed out that he had read about this program in the paper, but they had not yet been organized in his city. He said, "I decided to send my mail before the peak load period and I lost two of my best truck drivers." He checked into the reason and found that he was paying them a hundred dollars a week less in overtime. Like everything else, the truck drivers had been getting into the big log jam of homeward bound traffic, and waiting at the post office for dock space.

I feel the mailers are getting better service and if we can convince them of that our own operation will be helped.

Mr. BELEN. I believe the other things were all touched on by the Postmaster General.

BASIS FOR ESTIMATED INCREASE IN MAIL VOLUME

Mr. GARY. What is the basis of the increased volume estimate of 4.9 percent?

Mr. BELEN. The volume estimates are made by Mr. Nicholson and his group.

Mr. GARY. I would like to have the real basis for that because your volume now is running only about 2.1 percent and I would like to know why you estimate that the percentage will more than double next year.

Mr. BELEN. I might point out that right after we were here last year, we seemed in about the same boat, but the next accounting period volume went up 6 percent over the previous year. Because of this increase postmasters used 6 percent more hours. This year we have told them that their target is set at what they used last year or the year before, whichever is lower.

Mr. GARY. The facts are if you take the period since the war, it averages about 3 percent per annum, I think. Why are we going to have 4.9 next year?

Mr. NICHOLSON. If I may, Mr. Chairman, I would like to cover this in some detail.

Mr. GARY. We would like very much to have you do so.

Mr. NICHOLSON. First perhaps it would be useful to review the method by which we make mail volume predictions. In making our predictions, there are two factors involved. One is the application of a formula that relates certain facts about the economy and facts about the population into mail volume. This, in effect, is a translation of certain facts about national life into mail volume. The second step of the process is to predict future positions of these facts that we use in the conversion formula.

The essential facts involved are population and personal income.

Let me, if I may, talk for a minute about each of these two qualities that go into the prediction. We develop the formula for translating known facts into known volume over a period of years. We can say with great reliability that the formula itself is highly accurate. That is, if we know population, personal income, and a number of other factors we can, with very narrow range of error, tell you what the mail volume is. For example, to prove it, you could give us facts from previous years, which are actual facts, we could apply this formula against it, we could translate into mail volume, look up what that mail volume was in that year and our process of conversion agrees very closely with the mail volume experienced.

The second phase of this process, the prediction of the future characteristics about our national life, we get from some very expert sources; the prediction of population, of course, comes from the Bureau of the Census; predictions about other economic facts are of great interest to the Government as a whole. They underlie the Federal Government's total decisionmaking process about the level of economic activity, which has a bearing on tax revenues, it has a bearing on the need for public programs by the Federal Government, it has a bearing on the quantity and quality of service that the economy and the people in it will require.

Consequently, the Government as a whole devotes considerable time to the predicting of the economic outlook for the year ahead. The President's Council of Economic Advisers is perhaps the key in this process; the economists at the Bureau of the Budget and others all work intensively on getting the best possible prediction of the economic indicators for the year 1963.

The economic indicators that we use, that is, the predicted positions for those economic indicators that we use, are the same ones used by the Bureau of the Budget and by the Government as a whole in making their 1963 plans.

We take these expertly derived facts, apply our formula against them, and we arrive at the estimated number pieces of mail for 1963 as being 70.3 billion pieces.

It is, of course, true and I am sure known to you that the official estimate by the Government for the year 1963 is optimistic.

The recession that we have been through seems to have come to a successful conclusion. The pickup was very brisk during the period up to August.

There was a slight lag in the rate of recovery but it didn't last long. The performance of the economy in November and in December has again been very brisk.

The expectation is that the gross national product, for example, will increase at a more rapid rate in the period immediately ahead than is normal for this point in time following the low point of a recession. Indeed, the gross national product has experienced a 7.5 percent rise in the initial three-quarters following the valley of this particular recession. This is substantially more rapid or more favorable than the upturns following the 1954 and 1958 recessions.

Recently the news letter of the First National City Bank had this to say. This was in their January, 1962, letter:

> The new year has an auspicious beginning with a momentum of expansion that leaves little doubt among business analysts that we are about to set new records in most departments of economic activity and in the performance of the economy as a whole.
>
> The turn of the year finds the economy catching its second wind after a short pause that had interrupted the first phase of rapid recovery from February to August.

They speak of the sharp pickup in auto sales for example, which pickup gave business the assurance that higher production targets would be met and that these higher production rates would be supported by expanding demand.

Industrial production hit new peaks in November and it looks like they will again in December. They comment on the sharp rebound of retail sales and the high level of retail sales at Christmas time.

The Department of Commerce, they point out, estimates that retail sales which had been averaging an annual rate of $218 billion a year in the first 9 months reached a level of $231 billion a year, a gain of 6 percent, by November.

I mention this just to indicate that not only the Government, but also private interpreters of the trend in the economy indicate that there will be a substantial upturn in the level of business activity in the country as a whole. Thus, we feel that we are on very solid ground when we do accept the estimates of the general level of the economy, of personal income, and use these predictions in our formula translating these facts into mail volume. We feel, therefore, very confident in the results of this conversion factor, which is that there will be a 70.3 billion piece mail volume to be experienced in the fiscal year that we are discussing.

If you would like specific figures as to what the future positions are that we are dealing with, the gross national product for 1963 is

estimated in terms of 1960 dollars as $569.1 billion, which is a 2.6 percent rise over the previous year.

In terms of 1954 dollars, it is estimated as $497.2 billion, or an increase of 2.6 percent.

Personal income is estimated at $467.3 billion, or an increase of 4.7 percent.

Population is estimated at 187.7 million people, or a 1.7-percent increase.

POPULATION GROWTH AND ECONOMIC FACTORS

Mr. PILLION. Will the gentleman yield there? The 1.7-percent increase in population is 1963 as against 1962, a 1-year increase?

Mr. NICHOLSON. Yes, sir.

Mr. PILLION. Isn't that the basic factor in arriving at an expected increase in the volume of mail? Isn't the population rise the No. 1 factor rather than the economic predictions?

Mr. NICHOLSON. No, sir; I cannot say it is the No. 1 factor. I think personal income is at least equal in importance.

Not only does mail volume increase in proportion to population, but the per capita use of mail is also increasing. This per capita increase follows from the expansion in the economy.

Mr. PILLION. I understand the variable but is not the population rise of 1.7 percent of 1963 over 1962 a rather firm estimate? That does not vary the way a prediction as to the economy might vary.

PER CAPITA MAIL VOLUME

Mr. NICHOLSON. If I may emphasize again the per capita aspect of it, mail volume per capita in 1960 was 355 pieces; in 1961 it was 356 pieces, and in 1962 we anticipate that it will be 363 pieces, for the first time about one piece of mail per person per day for the 1962 population. In 1963, because of the growth of the economy, the increase in personal income, we estimate that the per capita use of mail will reach 374 pieces per person, so there is the combination of more pieces per person in the existing population, plus the 1.7 percent increase in the population, itself.

BUSINESS MAIL

Mr. BELEN. We do know, sir, that over 70 percent of our mail is business mail.

Mr. CONTE. Does that take in magazines?

Mr. BELEN. I am speaking of first-class letter mail. Other mail is involved but first-class letter mail is the big one.

For example, right here in Washington, D.C., our studies on this NIMS program show that 28 mailers pay $7½ million a year in postage, a hundred mailers will pay $14 million or half of the receipts of this office. So with the economy going up and down, this really has a terrific impact on the volume of mail. People are shifting to the use of mail because of parking problems. If you inqure you will find that people generally don't go to banks. I hardly go to the bank at all, anymore. Everything is done by mail.

GROSS NATIONAL PRODUCT

Mr. NICHOLSON. A moment ago I gave the 1963 estimates for gross national product on a calendar-year basis.

The second half of calendar 1962 and the first half of calendar year 1963 will be particularly active. Since that is the period we are dealing with here—fiscal year 1963—you'll be interested in the figures on the fiscal-year basis.

In terms of 1954 dollars, gross national product in fiscal 1963 will be 4.5 percent over 1962. In current dollars it will be up 6.6 percent.

Personal income on a fiscal-year basis will be up 6.5 percent in 1963 over 1962.

Our predictions of mail volume in the past have been very accurate. The sum of all the estimates submitted to you in the period 1950–61 is 666 billion pieces of mail. The actual volume has been 665.6 billion pieces, an error of only 0.4 billion, or 0.07 percent.

I'd like to emphasize that the estimates I am referring to are the Department's budget estimates brought to you with the original budget submission each year. They are not the figures as they may have been revised by the Congress in setting the appropriations.

So we have great confidence in the estimates and, with the strong thrust of the economy anticipated for fiscal 1963, expect mail volume will be 70.3 billion pieces.

CARRIER TECHNICIAN RECLASSIFICATION PROGRAM

Mr. GARY. What is the justification for the promotion of 14,000 carriers to carrier technicians and what benefit is expected from this change?

Mr. BELEN. I have discussed that somewhat in general. I believe it is fully justified if we were to consider the improved service aspect alone. I believe the program will eliminate a lot of our complaints and that it would be fully justified based on that alone. Secondly, I think that it is justified because we will be utilizing the experience of senior employees. The bill that the House and Senate passed this last session on longevity increases is just an indication. One of the major factors in deciding on this program was the fact that the senior carrier's experience was not properly utilized.

Mr. GARY. You estimate that it will cost $1.4 million?

Mr. BELEN. Because of savings. We expect to make $2.5 million in savings. The actual cash outlay to the carriers themselves will be $3.9 million.

Mr. GARY. That is what I wanted to bring out. This is your estimate of the net cost for the operation?

Mr. BELEN. Yes, sir.

INCREASES OVER 1962 APPROPRIATION

Mr. GARY. Will you please turn to page 20.2 of the justifications and explain the program increases over 1962?

ADMINISTRATION OF POSTAL INSTALLATIONS

Mr. BELEN. The first item on page 20.2, "Administration of postal installations": There is an increase in number of employees supervised. We have made a real effort to maintain our supervisory account within reasonable numbers. This account has increased a little bit out of proportion to others, percentage wise. There is also a substantial amount of the increase in mandatory items. One reason for this is because legislation was enacted which provides that the supervisors will be retained at their salary if their position is downgraded. Also legislation which provides for compensating employees for service performed at a higher level in excess of 30 days.

In 1960, a determination was made that once an employee had served the 30 days in the higher rated position, they would continue their eligibility for higher pay. Prior to that time employees had to qualify for 30 days each year. That has been something that we have been faced with. We are asking for supervisors a 3.1 percent increase in numbers, representing 954 man-years. There is a 175 man-year reduction in the number of postmasters because there will be a fewer number of post offices.

COLLECTION AND DELIVERY SERVICE

For collection and delivery service, we are asking for an increase of 2.1 percent in city carrier employment. As I pointed out, we expect to add about 1,200,000 new stops and 5.6 percent larger area to cover. Our increases for maintenance service are due to much larger working areas as a result of new buildings. Also, there is a higher degree of maintenance required to a new building than to an older building in order to keep it in a proper state of preservation. Our vehicle service shows an increase of 5.1 percent because of the large number of vehicles. As I referred to earlier, we have a real problem in extending service to peripheral areas of large cities.

SPECIFICATIONS FOR TRUCKS

Mr. GARY. Are you now using standard trucks in your vehicle service or are you having trucks made to special specifications?

Mr. BELEN. We have some trucks that are made to somewhat our specifications. We also use a large volume of standard production vehicles. But, whether to our specifications, or standard vehicles, they are not built to last for an eternity like they were before.

There is one contract for a special body, is there not, in Pennsylvania?

Mr. HAHN. We are experimenting with a truck specially built to be used in hauling containers of mail between post offices. The principal features are that it has no wheel wells and is equipped with hydraulic tailgate. By and large, though, the fleet is standard.

Mr. GARY. You will recall at one time, Mr. Hahn, we had considerable difficulty over that. I remember one year the trucks were built to specifications and the specifications were faulty from an engineering standpoint and they had to bring every one of them into the garage and strengthen the supports or the springs under the trucks in order to adapt them to the service.

Mr. HAHN. Yes, sir.

Mr. GARY. We were out in Chicago and we saw them working on these trucks. They had to put additional springs or supports under each one of them. You recall that.

Mr. HAHN. I do; yes, sir.

Mr. BELEN. Special bodies have two impacts; one, the initial purchase price is more, and they are less desirable to dispose of on the market.

Mr. GARY. You had another situation. You were more or less limited in your manufacturers who were willing to construct these special bodies.

My recollection is that you were having trucks made or were buying trucks which were made in New York and shipping them all the way to California, rather than purchasing them in the areas where you could reduce the transportation costs on them. You feel that you have corrected that situation, do you?

Mr. HAHN. I think, Mr. Chairman, that you may get more specific information about this when the Bureau of Facilities appears before the committee. They do the procurement of this equipment.

Mr. GARY. We will take it up with them. Thank you, sir.

I interrupted you.

Mr. BELEN. The other item is the employees compensation fund, $1,361,000. That is a reimbursement required by law. Then there is an item of $1 million for the increase of the social security tax.

EFFICIENCY INCREASE

Mr. GARY. Do your estimates for 1963 anticipate any increase in efficiency?

Mr. BELEN. Yes, sir, about 1.2 percent, which is a pretty substantial increase compared with what has been accomplished in the past.

NATIONWIDE IMPROVED MAIL SERVICE PROGRAM

Mr. GARY. What success are you experiencing with the nationwide improved mail service program?

Mr. BELEN. This was actually started on the 19th of July, when we organized 300 mail users councils. We have had quite a marked improvement in the peak period. It went from 81 percent down to nearly 60, but now it is creeping up again to nearly 65. We are going to give the program more attention. Its progress was interrupted by our Christmas program. However, I think the improved mail service program did help at Christmas time, and might have had a little better results had we realized how well we were doing.

For example, we met with our mail users councils and impressed on them the importance of making their mailings ahead of Christmas. We had a very fine public relations program, too. We do not know which was the major factor, but this did happen—during the first 14 days of December we handled more pieces than last year and during the next 10 days we handled fewer pieces than last year. There was a net increase during the Christmas period of 2.1 percent at our larger offices I think that demonstrates that we did have a very marked improvement in that regard.

METRO PLAN

Mr. GARY. What is the status now of the metro plan?

Mr. BELEN. I would like to ask Mr. Hahn to comment on this. Mr. Hahn is the Deputy Assistant Postmaster General heading up the distribution and delivery services program. I want to say in general, however, that we are going to direct a lot of attention to improving our metro program. We are setting up a new means of testing the service through the use of automatic data processing in the regions.

The metro program changes as the pattern of our communities change and requires a constant checkup.

Mr. HAHN. As Mr. Belen says, the metro plan as such is actually a change in the way that we have to handle mail in line with the changes that have occurred in transportation. The metro plan itself is simply a consolidation of mail from satellite offices into sectional center post offices, where it is distributed. Each of these sectional center offices exchanges mail with other sectional center offices in the complex through a concentration center. This is opposed to the system we used to have where railway post offices ran through the country and served as the concentration points for mails moving between the post offices. We no longer have these railway post offices in the number that we had at one time so that the metro plan as such represents a change in procedure for distributing and transporting mail.

We have kept constantly after the attainment of the goal which the Department set for itself, which was that any letter mailed by 5 p.m. would be delivered to any point within the metro area by the first delivery the next day.

As Mr. Belen says, we carry on constant service tests from Washington by saturation mailings in these metro areas, we come up with a percentage of success of this next day delivery. We continue to have a high percentage of performance of the plan, but each time we do find instances of failure. These are collection failures or they are missed connections. They involve breakdowns in transportation, but through this program we follow up on every failure that is disclosed through these tests in order to maintain a high degree of service accuracy.

Mr. GARY. I would like to say that Mr. Hahn has been with the Post Office for many years and he has held several important positions with the Post Office. I have contacted him from time to time in connection with his various assignments and I have always found him well informed and very efficient so I have a very high respect for Mr. Hahn's opinion in these matters.

Mr. HAHN. Thank you, Mr. Chairman.

MAIL ROUTING TO BYPASS CONGESTED AREAS

Mr. GARY. Mr. Hahn, this is not involved in the metro plan, but are you taking any steps with reference to detours? What I mean by "detours," in our highway program we are building highways to skirt congested areas so that through traffic may bypass them. I have found, upon investigation, that most of the delays in mail coming into Richmond occur in New York City. When mail comes from a point

beyond New York City and has to pass through the New York City post office, there is delay. What are you doing to try to route mail so as to bypass congested centers. For example, take mail coming from Huntington, N.Y., or Buffalo, N.Y. What are you doing to route that so it won't have to pass through the New York City post office?

Mr. HAHN. This is one of the major benefits we anticipate from the metro plan and from the nationwide integrated postal service plan, the NIPS program. By concentrating mail in local areas, we get enough mail to make up for final distribution to a city like Schenectady, N.Y., which will include 25 or 30 satellite offices.

These offices simply process their mail to fit this Schenectady distribution. They send a large part of it into Schenectady for final distribution. The alternative to that is that the individual office does not have enough mail for very many destinations to justify making up separate bundles, but when this mail all accumulates in the Schenectady post office, they can do a good job of distribution so that Richmond will get a package of mail from Schenectady.

Mr. BELEN. I think the chairman would be interested in this. The same problem existed with respect to Richmond mail. We have an experiment dealing with this mail.

A lot of the Virginia and Maryland mail was getting delayed in the Washington complex, so several months ago we established several high-speed routes which emanate from the corners. One comes from Norfolk, on through. They meet about midnight at Fredericksburg, Va., where the mail is exchanged. This mail never gets into the Washington area.

Mr. GARY. I referred to New York merely as an example because I do know that there are frequent delays there but the same is true of Washington and other large congested centers.

Mr. BELEN. As these tests show, we need to do more of this. The transportation people can tell you more about it. We have done it at Fredericksburg, Va.

Mr. GARY. That is fine. It occurs to me we should be working on some bypasses in the postal system as well as in the highway system and bypass these areas of congestion in the delivery of mail wherever it can be done.

Mr. HAHN. With respect to the New York complex, we have major facilities in the planning stages for North Jersey, Long Island, and north of New York at one of the Westchester County offices. This will keep mail out of New York City, which does not generate there and is not for delivery there.

Mr. GARY. I think that is a very important area for study and improvement.

Mr. PILLION. You are requesting the Post Office Department to continue study on that?

Mr. GARY. Yes, continue its study in an effort to work out the necessary improvement. I do not know of any better word. We are used to it on highways. The principle is exactly the same as bypassing these congested areas, which we are doing. I remember 4 or 5 years ago when I used to drive to Florida, I would have to pass through every city, town, and village on the way. It took 3 or 4 days. Just this last fall I drove down and there are so many bypasses of these areas that the time is very much shorter. I was able to do in 2 days what before would have taken 3 or 4.

ADDITIONAL PERSONNEL REQUESTED

Mr. GARY. How many additional personnel are you requesting for 1963?

Mr. BELEN. In man-years, Mr. Chairman, 15,330. There are 2 decreases in this total; that is, 175 less postmasters and 135 less rural carriers. If you would like it by category, which might be helpful, I can give it to you.

Mr. GARY. I wish you would insert a table in the record.

(The table requested follows:)

Additional man-years of employment, fiscal year 1963

Account	1962 estimate	1963 estimate	Increase	
			Number	Percent
Postmasters	36,649	36,474	−175	−0.5
Supervisors and technical personnel	30,689	31,643	954	3.1
Clerks	272,832	282,931	10,099	3.7
City carriers	174,863	178,565	3,702	2.1
Special delivery messengers	5,613	5,725	112	2.0
Rural carriers	35,654	35,519	−135	−0.4
Maintenance service	18,977	19,510	533	2.8
Vehicle service	4,746	4,986	240	5.1
Total man-years	580,023	595,353	15,330	2.6

RURAL DELIVERY SERVICE

Mr. GARY. I am always glad to see any savings accomplished, but I thought your rural delivery program was probably expanding rather than contracting. What is the reason for the reduction in the rural delivery?

Mr. BELEN. Every time that there is a vacancy we have a survey to determine whether or not there can be some consolidation. Under the law, consolidation can be considered only at the time there is a vacancy As a result of these surveys, we are able to give better service.

Mr. GARY. In addition to that, I suppose as you expand your city service, that, to some extent, reduces your rural service because some of these city routes take over former rural routes; is that correct?

Mr. BELEN. That is right, but the mileage is increasing because more people are also moving into rural areas. They are able to commute because of the high-speed highways.

Right around Washington there are a lot of people moving out into the country.

Mr. GARY. That is because of the improved road and transportation facilities. You are able to cover more ground.

Mr. BELEN. That is right.

Mr. GARY. You have your mailsters, and that enables the city carriers to cover more ground than they did formerly.

Mr. CONTE. Mr. Chairman.

Mr. GARY. Mr. Conte.

Mr. CONTE. Mr. Belen, if you did not have the law on the books, where you only can review these rural routes when an individual passes away or if he commits an infraction of the law, do you think you could cut down on many more rural carriers?

Mr. BELEN. I do not know.

Mr. CONTE. Have you made a survey of it?.

Mr. BELEN. The only experience I can give you is that which we have had in discontinuing smaller post offices.

It was recommended by Mr. Dowdy's subcommittee, which looked into this problem, that the most practical way to reduce the number of routes was to consider consolidation when there was a vacancy, because so many individuals are affected and the carrier is known by everyone on his route. This creates many channels for contact with Washington——

Mr. MILLIKEN. It is cheaper to do it the other way.

Mr. BELEN. Probably this was well thought through at the time it was enacted. We hear criticism that some rural routes are easy while others are light, but the source of that criticism generally changes when the vacancy occurs.

RECRUITING FOR POST OFFICE EMPLOYEES

Mr. GARY. What are the mechanics of recruiting for post office employees?

Mr. BELEN. We use the regular civil service procedures. Examinations are held for clerk and carrier from which registers are established. We are considering a proposal that examinations for large offices be regionwide. This would result in a higher qualifying score, and we would get a higher caliber of employees. It is still in the thinking stage and many problems must be resolved. We would consider first those people in a particular city who were qualified. If they wanted jobs in that particular post office, they would be recruited. If sufficient eligibles were not available in that city we could then recruit from the regionwide register.

Automatic data processing makes this a logical step. With such equipment we can develop registers in almost any way we would want them. We think this will give us a higher caliber employee.

TRAINING PROGRAM

Mr. GARY. What type of training program do you operate?

Mr. BELEN. The training program is under the direction of the Bureau of Personnel. Our training program for employees in general is rather limited. Employees recruited for distribution duties receive training on schemes. We are making the schemes as simple as we can. We find that more separations, for example, mean a more complicated scheme, and more separations are an important factor in the efficiency of our mechanical equipment. However, the cost of training employees to operate this equipment, to teach them all these separations, results in arriving at a point of diminishing returns. Perhaps 60 percent of the employees will know 80 percent of the separations, and the other 40 percent would require additional training.

Training for new mechanized equipment at one place has cost us over $1 million; that is, training the employees to use these particular machines.

We have a program for training postmasters that we began this past year and we are quite proud of it. We feel it has created a much better situation. It is a sort of brother postmaster situation. It envisages that when a new postmaster comes aboard from outside

the postal service we assign him to another postmaster at a similar-size office and have him see how that office is operated.

He then visits the regional office, where he is acquainted with the various aspects of that level of supervision.

When he returns to his own post office, the other postmaster visits him to see how the new postmaster is progressing.

If he runs into some problems, he can call his brother postmaster.

By this program we have raised the position of the new postmaster to a higher level and he steps into the new job prepared.

Mr. GARY. Are all new employees given some type of training?

Mr. BELEN. I wouldn't say all. There are mail handlers, and others, who would not be, but virtually all new employees receive some training. We expect to improve the training of letter carriers.

Mr. GARY. What is the annual cost of the training program?

Mr. BELEN. I don't believe it is isolated.

Mr. BRAWLEY. We can furnish that for the record, Mr. Chairman.

(The information requested follows:)

COSTS OF TRAINING, FISCAL YEAR 1961

There are approximately 337 employees at all levels spending full time in training activities. The estimated salaries for fiscal year 1961 total $1,983,306. This includes departmental and field personnel.

Training cost under the provisions of Public Law 85–507 for fiscal year 1961 was $132,000. This includes instructor fees, supplies, travel costs, etc. This figure varies from year to year depending upon the number of employees engaged in outside the agency training programs.

The total cost therefore is $2,115,306. Of course, this does not include the salary cost of trainees in connection with on the job training, since that cost has not been separately identified.

SUPERVISORS AND TECHNICIANS

Mr. GARY. What is the ratio of supervisors to workers?

Mr. BELEN. 14.77.

Mr. GARY. What do you classify as technicians?

Mr. BELEN. Supervisors and technical personnel are both carried in that 14.77 ratio.

Mr. GARY. What do you classify as technicians?

Mr. HAHN. Technicians are primarily specialists in such fields as personnel and accounting. They are those who do not actually supervise people, but because of the technical requirements of the position, qualify for higher levels of pay.

STATUS OF VEHICLE FLEET

Mr. GARY. What is the status of the vehicle fleet at the present time? Can you give us that information?

Mr. BELEN. The average number of vehicles in operation in 1963 is projected at 12,722 mailsters and 33,065 other vehicles, for a total of 45,787.

Mr. GARY. How many new vehicles are you asking for?

Mr. BRAWLEY. That will come under facilities.

Mr. GARY. Can you give us a table showing the age grouping of the vehicles?

Mr. BELEN. We can get that for you; yes, sir.

(The information requested follows:)

Vehicle inventory projected through June 30, 1963, model year (excluding carrier mechanization vehicles)

Capacity	1952 or older	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	Total
½-ton				1		1	588	1,492	3,210	2,835	1,057	3,655	12,839
¾-140						615	1,865	995					3,475
¾-200						1,770							1,770
¾-300						969	1,249	1,499	1,200	3,050	1,809	2,112	11,888
¾-ton unitized body								29	21				50
¾-ton, 4-wheel electric										5			5
2-ton									3	4			7
2½-ton							250	63	1,251	9	507	83	2,163
Tractors			2			7	75	79	49	214	37	16	479
Trailers		44	296	1	6	28	70	96	120	222	177	48	1,108
Passenger	1		2			1							4
Custodial	3	1				2		100		36			142
Miscellaneous	280	24	152	18	14	62	1	2	3	2			558
Grand total	284	69	452	20	20	3,455	4,098	4,355	5,857	6,377	3,587	5,914	34,488

Vehicle inventory projected through June 30, 1963 (carrier mechanization vehicles)

Type	1958	1959	1960	1961	1962	1963	Total
¼-ton (1 cylinder)	1,847	317					2,164
¼-ton (2 cylinder)	11		2,400	2,100	2,222	5,131	11,864
¼-ton (electric)		3		304			307
Total	1,858	320	2,400	2,404	2,222	5,131	14,335

Mr. GARY. Roughly speaking how long does a vehicle last in the postal service?

Mr. BRAWLEY. The average age is a little over 9 years of the present vehicles.

MAILSTER PROGRAM

Mr. GARY. How are your mailster vehicles working out?

Mr. BELEN. Satisfactory. We realize a net savings of about $300 for each one we have in operation.

Mr. PILLION. Annually?

Mr. BELEN. Annually; yes, sir. Of course, we cannot use them all over. We use them where we can.

Mr. GARY. What type are you using now?

Mr. HAHN. Current procurement is a two-cylinder gasoline vehicle which has a capacity of about 300 pounds.

Mr. GARY. Off the record.

(Discussion held off the record.)

Mr. GARY. You started your mailster program originally with one-cylinder mailsters; is that correct?

Mr. HAHN. That is correct, sir.

Mr. GARY. Then you found that in many instances the two-cylinder job was more efficient. Have you abandoned the one-cylinder vehicle altogether?

Mr. HAHN. All current procurement involves two-cylinder vehicles. I do not believe we would go back to one-cylinder vehicles. We need the additional power, especially in going to and from the routes which are usually in the suburban areas. There is a hazard of operating the slower vehicle on the highways to and from the point where they serve the route.

Furthermore, the one-cylinder vehicle is very restricted as to the area where it can be used. Climatic and terrain conditions have to be just right for it.

Mr. GARY. The one-cylinder was developed in Florida, as I recall it, where you had good climatic conditions, and also level ground.

When you began to use those mailsters in areas where you had different climatic conditions and less uniform terrain it is my recollection that that is where the two-cylinders were particularly in demand.

Mr. HAHN. That is right.

Mr. GARY. You find now the two-cylinder vehicle is better and more efficient for all areas?

Mr. HAHN. That is right, sir.

Mr. GARY. How many do you have in operation today?

Mr. HAHN. 14,335 are projected for the end of 1963.

Mr. BELEN. 9,608 in operation right now.

Mr. GARY. Are you having any serious problems with maintenance insofar as these vehicles are concerned?

Mr. HAHN. No. Including maintenance cost and depreciation, each mailster is averaging about $300 a year in the way of reduction in costs. The total program is returning about $300 a year savings per vehicle.

VEHICLE REPLACEMENT PROGRAM

Mr. GARY. The question of uniform replacement program would be in facilities?

Mr. BELEN. I have some figures which might be helpful, Mr. Chairman. These figures are on page 28.2 concerning the size of the fleet. In 1962 the fleet will be increased by 2,759 mailsters and 1,172 regular vehicles, and in 1963 it will be increased by 3,171 mailsters and 394 regular vehicles.

Mr. GARY. We shall not go into the question of a uniform replacement program because we have insisted on that throughout the Post Office and Treasury Departments so that we will have a relatively uniform replacement rather than small replacements one year and high replacements another.

We shall take that up in facilities.

Mr. BRAWLEY. The increases just referred to by Mr. Belen would increase the average number of vehicles by 10.1 percent. The average age is about 9½ years, so it is running pretty uniformly.

Mr. GARY. Do you have a system by which you determine whether a vehicle is economically repairable?

Mr. BELEN. Under the reorganization of the Department, the repair and maintenance was placed under facilities.

PARCEL POST SIZES AND WEIGHTS

Mr. GARY. I have one other question which relates to a discussion we had the other day with Mr. Day. This is a legal question over which a controversy now is pending within the Interstate Commerce Commission, and that is the right of fixing size and weights of parcel post packages.

I would like to know, and Mr. Brawley can perhaps answer this, how you figure that the change in size and weights of packages would change your deficit figure.

Mr. BRAWLEY. Public Law 199 reduced from 70 pounds and 100 inches to 40 pounds in the local and first two zones and 20 pounds in the other six zones and 72 inches as the limit on the size of packages that can be transported between first-class offices. We estimate in raising that to 50 pounds and 100 inches we get enough new volume to bring us in additional net revenue of some $40 million.

Mr. GARY. If you are losing money on those items now, the increased volume would add to the deficit, would it not?

Mr. BRAWLEY. We are losing money on some of the packages we have to handle. Lightweight, short-haul packages such as called for under Public Law 199 cause most of the loss. The cream has been siphoned off. If we do not do some adjusting in weight and size we will find ourselves handling only those packages that nobody else wants to handle, and the price would be prohibitive. If we do not do this we think we would have to raise present rates by as much as 20 percent.

Mr. PILLION. I assume that the cost of capital equipment for the additional volume would be very small and that is where the profit would enter the picture?

Mr. BRAWLEY. That is right. We think we can handle it without additional capital expenditures.

Mr. BELEN. There was a drop in volume.

Mr. GARY. Off the record.

(Discussion held off the record.)

Mr. NICHOLSON. Bearing on your question as to why we expect that the change in size and weight will be beneficial to the post office, and the reason we feel this change is necessary for us to maintain this service, I might point out that the short-haul, lightweight packages are very expensive for us to handle. At the present time, for example, in the local zone, our rates of postage enable us to recover only 74.5 percent of our cost. The local zone is limited to a 40-pound package.

Beyond 150 miles, between first-class officers, it is limited to a 20-pound package. Thus a manufacturer who wants to ship a 40pound package in quantity will truck it to within 150 miles of its destination, dump it into the post office where the weight limit now is 40 pounds,

and he will be able to get delivery of it. There, however, the transportation element in the service is reduced and the retail distribution house to house is increased, and the result is that we lose money on that kind of transaction.

Contrarywise, where we have a parcel that travels to a more distant zone, where the handling charge is a smaller proportion of the total cost of transportation plus handling, we do get a favorable balance of cost and revenue.

Unless we do have this kind of balance in which some of the traffic through the Department is of a desirable nature we cannot finance the retail distribution of the house-to-house kind of delivery that otherwise is imposed on us. Unless we have this balance we cannot have a viable parcel post service in which all aspects of the service can be handled at equitable rates.

If the desirable parts are skimmed out, then the difficult-to-make rural deliveries, or the retail local distribution type of operation, will have to be charged for at such a rate that the presumed beneficiaries of this service, let us say the farmers and small-town merchants, will have to pay the total cost of this high cost element of the service.

Thus if we are to discharge our mission at all, the mission of having a national parcel service, we must have a mixture of desirable kinds of traffic as well as the difficult-to-deliver kinds of traffic.

By raising limits to the uniform 50 pounds 100 inches between major offices we will get enough desirable volume to make it possible for us to furnish the service which no one else is attempting to provide.

Mr. PILLION. Is the net result which you are seeking to attain then an economic advantage to the public at large in the shipment of goods?

Mr. NICHOLSON. Without question the parcel post service will provide the public with an overall economic advantage, not only by keeping our rates economical, as I have just tried to describe, but also by giving the user of this service, the shipper, economic benefits.

As the chairman pointed out, a shipper now must break down his parcels into subparcels in order to get within the requirements. We can save that shipper the extra cost of cartons, the extra labor cost in the shipping room, and the extra inconvenience and administrative trouble of extra labels and extra everything.

Furthermore, at present a major shipper must look up almost every destination in order to find out whether this particular individual who sent in this particular order can get a 20-pound parcel, a 40-pound parcel, or a 70-pound parcel. This is not automatic. He must look up hundreds of specific addresses in various kinds of guides.

Mr. GARY. What are you asking for now, a uniform 50?

Mr. NICHOLSON. Uniform 50 pounds and 100-inch parcels with certain exceptions, under which exceptions 70 pounds and 100 inches may be shipped.

Mr. PILLION. Did someone mention 40 pounds?

Mr. BRAWLEY. That is what it is now.

Mr. GARY. It is 20, 40, and 70 now. They are asking for a uniform 50 and 70.

Mr. CONTE. Is that 100 inches long?

Mr. NICHOLSON. Length and girth combined.

The fact we can offer this service at a 50-pound 100-inch standard will bring back into the market literally hundreds, if not thousands,

of products in quantity which presently are not manufactured because there is no practical way of distributing them. This, too, will serve the overall economy. This means manufacturers will produce more products, and this will mean employment and activity for those companies.

Similarly the public at large will be able to purchase and have available to them goods which presently are not economically available to them.

Mr. PILLION. The consumer at large, you mean?

Mr. NICHOLSON. Correct. Since the passage of Public Law 199 there have been great advances in technology so we have plastics, aluminum, and laminated woods which can be used to make low cost, durable, very efficient types of products. However, because those products have physical dimensions which preclude the use of parcel post those products which are capable of production simply are not being produced and not shipped by any media.

Mr. CONTE. What will the rate be for the new 50-pound 100-inch parcel?

Mr. BRAWLEY. A zone rate which will recoup nearly 100 percent of our costs.

Mr. NICHOLSON. It is actually 99.9.

Mr. CONTE. Dependent on the distance?

Mr. NICHOLSON. Total parcel post service under our proposed size and weight limits and the new rate schedule will recover from the parcel service 99.9 percent of our anticipated cost.

Mr. BRAWLEY. To discuss the zone rate a moment. In the past two rate bills the regular zone rate has been increased by a percentage. As a result zones 3 through 8 have enough of a rate to recoup the cost if the mailer will use it. But there are many companies who truck their merchandise to several entry points, dump it into the post offices for delivery, thus taking advantage of the low cost local zone rates.

Mr. GARY. I have seen them do that.

Mr. PILLION. Will this affect that?

Mr. BRAWLEY. No. We have a zone rate in parcel post and second class. The new rate bill will place a per piece charge in addition to the zone rates in an effort to balance the charge.

Mr. GARY. We shall recess until 2 o'clock.

AFTERNOON SESSION

Mr. GARY. Gentlemen, the committee will come to order. Mr. Pillion, the witness is with you.

WORK MEASUREMENT SYSTEM

Mr. PILLION. Mr. Belen, I was most favorably impressed with your statement of policies and programs of the Post Office Department. I believe they are sound, and evidently you are achieving considerable results by reason of your policies.

I was especially interested in your statement concerning the work measurement system, stating that you believe that there ought to be some work measurement system, and you cannot very well abolish all work measurement systems. I agree with that wholeheartedly.

I also agree with your statement that there is no sense in having a work measurement system unless you act upon the information that is derived from the work measurement system, and that you are arriving at a happy medium in between the two extremes that will not waste man-hours in compiling a huge volume of records that are not going to be applied.

You made a statement—I cannot repeat it word for word—to the effect that your new measurement system will save clerical time. Is that a substantial item?

Mr. BELEN. It will not require as much clerical time. We all talk in terms of savings, but really what we are trying to do is to live within our budget. It was clear to us that to live within our budget and not cut the service, not only to the public but to the Members of Congress who have as much interest in postal service as any agency of Government, we had to eliminate unnecessary costs.

What we did, basically, was reduce the full-time individual count to 1 week in an accounting period. This eliminated some of the recordkeeping. However, it is hard to recoup all of it because you have a work force that is geared to this 1 week a month, and you have the problem of assigning these specialists to other duties.

We have substantially solved this in large post offices by staggering this 1-week count by tours, functions, or areas. But in the smaller offices it is more difficult. Probably the main gain was the psychological gain as far as employees were concerned. They had felt there were more people watching them than there actually were. As a matter of fact, it just seemed that way to them, as they were all seeing the same man. If 200 people see 1 man it looks like 200 men. But facts do not bear this out.

We have comparatively few people engaged in this work measurement program. I have compared it with other agencies that have a much smaller area, and as near as I can gather, they have as many people as we have.

NIMS PROGRAM

Mr. PILLION. You think you have achieved considerable results by your conferences with the larger users of the mail, the business firms?

Mr. BELEN. We are convinced we have laid the cornerstone of what will be our postal operations in the future. Ten years from now we will have 90 billion pieces of mail. We know it is going to be generated from comparatively few sources. In talking with these mail user councils, we have convinced them that they will get better service, with fewer errors, if they cooperate with us.

Mr. PILLION. And also achieve an economy for the Post Office Department.

Mr. BELEN. In the long run; yes, sir. We have taken $3 million out of the 1962 base as a result of savings from the NIMS program. I think this is pretty good for a new program that has just been started. We do not claim miracles for it, but we have created a very good understanding of the postal service by business people.

Mr. PILLION. Very good. The same sort of result has been achieved in your policies, trying to bring about greater cooperation and greater understanding of the postal problems between your management and the employees of the Department as a whole?

Mr. BELEN. Yes, sir. I have been very pleased with their cooperation. I believe the cornerstone has been set. We are what a lot of people like to talk about—a great postal family. We try to live it.

Mr. NICHOLSON. As a financial man, may I make a comment on the NIMS program?

Mr. PILLION. Yes.

Mr. NICHOLSON. We are, of course, hopeful that there may be some dollar savings. The program itself has a great service advantage. We have been watching very closely the dollar effect. At the moment this is somewhat mixed. It is true that people are coming off night differential pay to some extent, partly offset by putting them on early in the morning in order to get the mail delivered.

Also because we are campaigning with the major mail users to bring their mail early to the post office, in many cases in large cities this means bringing it to the nearby branch office, and that mail cannot sit at the branch office but must be transported to the main office. That has caused the use of additional vehicles, additional mileage to have more relays from the branches to the main offices.

Similarly, we have asked business mailers to put their mail in the receptacles in the lobbies early in the day, and they will be discontent to put the mail in when going out to lunch and see the same mail there at 5 o'clock. There have had to be additional pickups in the downtown offices.

At the present time there are some additional costs in our collection system and in our vehicle fleet in order to move this mail promptly when it is brought to the office promptly. So that, as Mr. Belen points out, in the long run we hope to see savings, but at the moment the main impact is not the dollar return so much as it is speeding of the mail, getting it to its destination faster.

Mr. BELEN. We have the same number of letters to sort. Our overall improvement from all sources is 1.2 percent efficiency gain in 1963. Regardless of what time of day mail is sorted, we still have to sort the same number of letters.

EMPLOYEE-MANAGEMENT RELATIONS

Mr. BRAWLEY. Let me make one comment on the question you asked about our employee-management relations. I want it clearly understood that insofar as we are concerned, our policy is that we think we should and we can get along with these people. We can bring them in and make them part of the team, but we fully expect this to be a two-way street. We have let them know that in no uncertain terms.

Mr. PILLION. I think that is very admirable.

ESTIMATED MAIL VOLUME

To get back to the volume estimate for next year, as I understand it, the record shows that for 1963 your figures here anticipate and are based upon an expected 4.9 percent increase in volume; is that right?

Mr. BELEN. Yes, sir.

Mr. PILLION. The volume for 1962 to date has been 2.1 percent, is that about right?

Mr. BELEN. Yes, sir.

Mr. PILLION. Could we refine that a little? I understand there was an increase here lately. What is the latest figure as to the volume of mail increase for fiscal 1962 over the comparable period in 1961?

Mr. NICHOLSON. The latest figure is as of the end of accounting period No. 6, which was before Christmas. December 8 was the end of accounting period 6. At that time the mail volume was 2.1 percent above the previous year.

Mr. PILLION. You anticipate that your next accounting period for that figure will increase that 2.1 or decrease it?

Mr. NICHOLSON. We believe it will increase it.

Mr. PILLION. By how much?

Mr. NICHOLSON. By a modest amount.

Mr. PILLION. It might be 2.2?

Mr. NICHOLSON. Yes, sir. We have made a sample study of some of the offices and have attempted to project that to all of the offices. On that basis you are exactly correct. At the end of accounting period 7 we are predicting there will be a 2.2-percent increase year to date.

Mr. PILLION. This committee made its estimate for 1962 based upon an increase in volume for 1962 over 1961 of a figure, I think, that is something like 3 percent. Is that right, Mr. Chairman? Does anyone have that figure?

Mr. ALEXANDER. 2.9.

Mr. PILLION. If there is a 2.2 increase in volume, and the appropriation contains operational expenses for a 2.9-percent volume, then that differential of 0.7 percent ought to show up in this year's budget as a surplus. Do you anticipate a surplus of that amount?

Mr. NICHOLSON. We do not, Mr. Pillion, because we believe that the year as a whole will hit 3.2 or more.

Mr. PILLION. 3.2?

Mr. NICHOLSON. Yes, sir.

Mr. PILLION. Then it would have to run at a rate of approximately 4.2 increase from now on in order to hit 3.2 as an average.

Mr. NICHOLSON. Yes, sir; we see a very active, very large volume growth in the second half of 1962.

Mr. PILLION. That is very difficult for me to believe, if for 6 or 7 months you have a 2.2 increase and then all of a sudden find a 4.2 volume for the next 6 months. I can see no economic prospect of that kind.

Mr. NICHOLSON. I believe this was a question Mr. Conte asked, and I pointed out Monday that the present level of mail increase, the 2.1 at the end of period 6 and 2.2 at the end of period 7, is almost exactly the prediction that we have made for these points in the year. The fact that each accounting period by itself does not show a 3.2-percent increase is not in the least dismaying to us. The year as a whole, we anticipate, will have or, rather, our basic target for the year is 66,975 million pieces of mail. This anticipates that the third quarter will have 15,600 million pieces and the fourth quarter will have 14,900 million pieces. The sum of those is 30,500 million, approximately.

In the first two quarters of the year we have had 36,300 million. Thus, in numbers the volume anticipated for the next two quarters is less than the volume already experienced for the first half. The

volume experienced for the first half is almost exactly the volume we targeted for the first half. If our prediction for the second half is as accurate as our prediction for the first half, we will indeed have a 3.2-percent increase in mail in 1962.

Mr. PILLION. I think the record ought to show—and I think the Postmaster General stated it the other day—the estimates of the committee, not the estimates of the Department, but of this committee, have been almost completely accurate over a period of ever since I have been on this committee. In my memory of the situation, the estimate here by this committee has been just about right as to the anticipated volume of mail. This committee's estimate averaged, I think, something like 1.5 percent less than the estimate of the Department each year. I just make that for the record.

INCREASED EFFICIENCY

You anticipate an increased efficiency of 1.2 percent. Is there any way that we can determine where that efficiency, that increased production, comes from? Does it come from the Metro plan, for instance? Does it come from mechanization? Does it come from business cooperation, management-employee cooperation? Does it come from the ADA processing situation? Where is that efficiency and increased production coming from? Is there any way we can pinpoint that?

Mr. BELEN. It is the result of many actions we have taken.

Mr. PILLION. I know it is a combination of situations, but what is the major factor causing increased efficiencies?

Mr. BELEN. We have an increase in the average pieces per man-year.

Mr. PILLION. That is right.

Mr. BELEN. That has gone from 239,149 pieces per man-year in 1958, to 248,414 estimated for 1963.

The followthrough has effected improvement. Mr. Brawley wrote a letter shortly after the President made his budget statement last year in which he outlined the policies that we have put into effect this year. This was done so that we could live within our budget. I might point out that last year we voluntarily turned back $12 million of the transportation appropriation. We find now that activities picked up by operations accounted for this. For example, in Detroit, just one post office where this change was made, we are spending each accounting period 8,800 man-hours unloading trains. This unloading used to be done by the railroad and paid out of transportation. Had we kept that $12 million, instead of turning it back, our base would have been different. We are operating with a tight budget. Here are some of the items the postmasters were asked to do to live within this budget.

(The matter referred to follows:)

1. *Improve employee performance.*—Use the information produced by the work measurement program to analyze individual employee performance. Take corrective action where an individual's performance is below the average productivity rate for your post office. Also, use POD Publication 45, Aids Toward Better Postal Operations.

2. *Decrease nondistribution and overhead time.*—Analyze the staffing for nondistribution and overhead activities such as window service, recordkeeping, accounting, personnel, etc. Reduce excess staffing in such areas by abolishing positions as they become vacant. Retain in your staffing pattern only the minimum num-

ber of such positions required to provide essential service and support to the mail-handling activities of your post office. If vacancies in nondistribution work areas do not occur at a rate that will afford early opportunities for substantial savings, assign excess or spare-time accountants, window clerks, etc., to perform work in the mailing division during a part or all of their regular tour of duty each day.

3. *Reduce the ratio of supervisor time to employee time.*—Initiate forceful action to insure that the ratio of supervisor man-hours to employee man-hours is reduced. (The excess of supervisory hours over and above that which can be justified on the basis of employee man-hours cannot be tolerated; keeping supervisor-employee man-hours in proportion is a management responsibility of the postmaster.)

4. *Schedule nonpreferential mail handling.*—Nonpreferential mail (other than parcel post) should be scheduled for handling during non-premium-pay hours (6 a.m. to 6 p.m.) except for fill-in purposes at other times.

5. *Use temporary employees sparingly.*—Temporary employees cannot be expected to be as efficient ordinarily as regular employees. Use temporary employees in emergency workload situations only.

6. *Hold regular and substitute vacancies.*—Do not fill a regular or substitute position which becomes vacant until it has been determined that filling the position is absolutely necessary in order to keep the mail moving.

7. *Schedule employees strictly in accordance with workload demands.*—Avoid regular scheduling of hourly rate employees, and adjust schedules of annual-rate employees to the maximum extent possible in order to cover peak workload periods.

8. *Reduce the accident rate.*—The personal injury accident rate is shamefully high in the Postal Establishment. Take every possible action to reduce accidents; this will automatically increase the productive work hours of experienced employees and thus reduce expenditures.

Mr. BELEN. We have taken a very active part in insisting that large mailers bring it in when we are better prepared to handle it.

Sixth. Use temporary employees sparingly. We put a freeze on temporary employees. With respect to our Christmas program, we used around 65,000 less temporaries. That was a result of the freeze.

Mr. GARY. That would not be reflected in these figures, though, would it? You do not have the December figures?

Mr. BELEN. No. He is asking where we are going to get the economies, as I understand it.

MECHANIZATION SAVINGS

Mr. PILLION. Where is that increased efficiency of 1.2 percent coming from? What I am really driving at—I think it is in the back of my mind—is this: that when the mechanization program was advanced, the great argument in favor of it was that we will spend $500 million, and it will come back to use in more volume with less men because of the great capital improvement that we are putting in. I am trying to pinpoint, if I can, where the saving is from the mechanization after you take the depreciation, after you take all the costs involved in mechanization. Could we have any figures on that particular phase of your operations as distinguished from your management superiority and management matters that are involved, say in employee-management relations and relations with your business people?

Do we have a figure, for instance, of Washington, where you have a fairly complete mechanization as against San Francisco or a comparable-sized city where you do not have mechanization as to costs? So that we could try and pinpoint whether or not we are really saving money in this mechanization or whether we are merely giving perhaps a little faster service.

Mr. BELEN. I think there are two elements involved. In the first place, when you first put a large facility into operation, the initial costs are higher. Our training costs, for example, at Detroit, which we have had to absorb within our budget, are higher. But as time passes, we will find that costs will be reduced and we will be able to handle the increased volume. But, that is not this year or next year.

Mr. PILLION. We have had a year or two now in Washington. Could you give me just a general idea of whether or not that is proving itself now or not?

Mr. BELEN. A survey of Washington was recently made.

Mr. PILLION. I saw figures about 3 years ago but did not think the figures were quite accurate.

Mr. BRAWLEY. I think we have or are currently completing a survey of Washington.

Mr. PILLION. A resurvey. You did have one a few years ago.

Mr. BRAWLEY. Yes. We hope to have that information for the record before it is closed. Right now I should refer you back to the statement Mr. Harriman made yesterday, on our success at Providence. This is a shakedown period, as you know, that we have been going through. As we progress along, our efficiency is increasing every day. Our efficiency over the Christmas holidays there was very good.

Mr. PILLION. But you do not have a complete study where you can say that we have made this study, here is what mechanization has done, as against another post office, another comparable post office, where we do not have a mechanized operation?

Mr. NICHOLSON. We have done quite a number of studies of the specific installations. We have not studied all the installations. For example, in the case of mail-flow systems, we have studied 10 separate mail-flow installations averaging about a million dollars each in equipment cost. On the average, these will pay for themselves in 4 years. They each have a life of about 20 years. So, after paying for themselves in the first 4 years, the remaining 16 years of their lives will pay back about $4 million per machine over and above their cost.

In the case of parcel sorters, we also have the story on those installations.

Mr. PILLION. I think I am familiar with that.

Mr. NICHOLSON. Also facer cancelers.

EFFICIENCY ESTIMATES

Mr. PILLION. I am familiar with those estimates of the payoff periods. Is it possible, Mr. Belen, that you may be underestimating the increased efficiency and that your increased efficiency may be 1.4 or 1.5 percent as against 1.2?

Mr. BELEN. I would like to think that, but when I look back at the record, I find that the highest increase in efficiency previously experienced is 0.9 percent.

Mr. PILLION. Which speaks very well for you on your 1.2.

Mr. BELEN. I would hesitate to stretch it any further than that.

COMPARISON OF 1962 AND 1963 PROGRAM COSTS

Mr. PILLION. On page 20.2, you have your comparisons between 1962 and 1963 and a breakdown of your general costs, mandatory and otherwise.

Would it be possible to obtain this same set of figures based upon the rate that you gave here of 1.2 increased efficiency and based upon a 3 percent increase in volume rather than a 4.9 percent volume, so that the committee would have an opportunity to look at these figures based upon a new or alternate estimate of the increase in volume for 1963?

Mr. BELEN. Yes, sir.

Mr. PILLION. Some of these figures will change based upon that.

Mr. BELEN. Yes, we will do that. It highlights your question. Last year an across-the-board cut was applied for a lower volume figure. There are many items not directly related to volume.

Mr. PILLION. That is right. They work in different ways.

(The information requested follows:)

The following table is submitted using, as requested, an assumed increase in clerk productivity of 1.2 percent and a mail volume increase of 3 percent over 1962 estimates. It should be noted, however, that the originally budgeted productivity improvement of 1.2 percent was based on an estimated volume increase of 4.9 percent. The Department seriously doubts if an improvement of more than 1 percent in productivity can be achieved with a volume increase of only 3 percent under existing conditions. Fund requirements assuming a 3-percent volume increase and a 1-percent increase in clerk productivity have, therefore, also been shown at the end of the table.

Statement relating to 1962 and 1963 programs

[Thousands of dollars]

	Mandatory	Other costs	Amount
1962 program (estimated obligations)			$3,447,000
FISCAL YEAR 1963 INCREASES			
(To provide for a 3 percent volume increase)			
Increase or decrease due to:			
Administration of postal installations: Increase in supervisor employment partially offset by a reduction in postmaster employment, plus normal mandatory salary increases	$5,265	$2,281	
Mail handling and window service: Increase of 1.8 percent in employment to handle a 3 percent volume increase	9,007	23,883	
Collection and delivery service: Increase of 1.9 percent in city carrier employment to service a 3.2-percent increase in workload, and $1,400,000 for the promotion of 14,000 letter carriers to carrier technicians for the new on-the-job evaluation plan; an increase in special delivery messengers for additional areas of service; and increase in rural carriers for the increase in average length of routes	15,700	20,618	
Maintenance service: Increases are due to a 2.5-percent increase in square footage of space, and additional maintenance on mechanical mail handling equipment	393	3,032	
Vehicle service: Increase of 5.1 percent in employment to maintain the 10.1-percent increase in the average number of vehicles, plus attendant increases in parts, gasoline, etc	182	4,519	
Employee compensation fund: Reimbursement to the Federal employees compensation fund (Department of Labor) for injury and death benefits paid in behalf of postal employees	1,361		
Total	31,908	54,333	86,241
1963 program (estimated obligations) on basis requested			3,533,241
1963 fund requirements assuming 3-percent volume increase and 1-percent improvement in clerk productivity			3,536,400

Mr. PILLION. I might say that from what all I can see, from the information that has come to me, the Post Office Department is doing a very fine job. I think you ought to know it. It should encourage you a little more.

Mr. BELEN. Thank you.

Mr. PILLION. That is all, Mr. Chairman.

ESTIMATED MAIL VOLUME

Mr. BRAWLEY. May I make one statement with respect to this volume. When I first saw the new estimated volume figures, I was surprised, too, Mr. Pillion. The estimates have been checked and rechecked and are sound in my judgment. They have proven to me they know what they are doing, and they have proven to me, even though it was hard to believe, that these are the correct predictions.

Just as a matter of reference, the record shows that their predictions have been, I think, within seven one-hundredths of 1 percent of being correct over the past 11 years.

Mr. PILLION. You mean the committee's estimates?

Mr. BRAWLEY. No; the estimates the Department has been using. It shows that in 1956, 1957, and 1958 the Department had to come back for supplemental appropriations because of underestimates of volume by the committee. I really believe that the 4.9 is based on good, sound judgment and good figures.

Mr. BELEN. One thing that has impressed me in my present responsibility is that operations is different from buying things, or procurement. The operations budget is personnel. We must look around to see what we can do to save labor. We are faced with this deficiency situation that has rather frightening aspects to me.

Mr. PILLION. The other good aspect is this. We found that with all this automation, we still have more and more employees; so that the idea that the unions are promulgating that automation will soon throw everybody out of work evidently is not a correct one.

Mr. BELEN. It shows up in the chart we looked at earlier. While these costs are going up, our efficiency is increasing, and the employees are doing a very satisfactory job.

Mr. NICHOLSON. I can enter this thought on the mail volume. It is, of course, true, as you pointed out, Mr. Pillion, that the committee determined that the mail volume increase would be a 2.9 percent increase in this current year. That is, of course, the budget that we are working on.

However, our prediction is—as I was indicating earlier, we have confidence that this prediction will come out—the actual number of pieces we will handle this year will exceed the number of pieces set by the appropriation. If the number of pieces comes out, as we believe it will, then the increase in 1963, instead of being 4.9, will be 4.1. The reason for the large percentage increase for 1963 is because the figure we are using for 1962, as set by the appropriation, is smaller than the one we actually think will be the case. Thus, the number we actually think will come in 1963 is a larger percentage increase because of that action. It is not as though the mail volume is going along at a low level and then jumping up. This is a steady surge that we are beginning to experience in this half of the year.

Mr. PILLION. I have nothing further.

GAO STUDY OF POSTAL SERVICE

Mr. GARY. Mr. Pillion, you will probably be interested in knowing that we have just received a tentative draft of the GAO report to the committee estimating the additional cost of operating the Post Office if it were operated as a public utility by private industry. While it is tentative and they have asked us not to put the report in the record for that reason, it is interesting to note that their tentative estimate is $250.8 million, which is just about the amount that is being asked for public service.

In other words, the present users of the mail are getting the benefit of taxes that would have to be paid, fringe benefits, advertising, interest on the funded debt, and additional interagency cost. It would appear that this would just about balance off the public service for which a charge off is requested; $248 million, I believe, is the estimate for one, and this is an estimate of $250.8 million.

I want to stress, as I said, that is tentative. However, that is the figure they have arrived at so far, and they think it is accurate, but they are not willing yet to release the report. We asked that they give us the result of their investigations to date. The GAO has just sent that in.

Mr. PILLION. That is the report we asked for?

Mr. GARY. Yes. They have not been able to complete it, but they are furnishing us with this tentative report.

Mr. CONTE. Does that substantiate the Post Office Department on their public service?

Mr. GARY. No. The point Mr. Pillion is making, and I agree with him, is that these periodicals are complaining because they are paying for this public service, this service we are giving to other people, which they claim amounts to $248 million according to the present estimates, but to balance this off they are receiving the benefit of these other items which amount to $250.8 million.

Mr. BRAWLEY. To put it another way, you are giving them $1.1 billion subsidy.

Mr. PILLION. How much?

Mr. BRAWLEY. $1.1 billion.

Mr. PILLION. Would you be good enough to elaborate on that?

Mr. BRAWLEY. $831 million deficit plus the $250 million.

Mr. PILLION. We are talking over and above that. Once you increase that, and suppose you had as of today's figures, the way we figure today, using the same accounting system, say we had a balanced budget, you would still be giving them a $250 million subsidy which does not appear anywhere. If you give them the $248 million, whatever it is, of public service, then you are giving the mail users the $248 million plus the $250 million, a half billion dollars subsidy right there.

Mr. GARY. That is right.

Mr. PILLION. Paid for by the general taxpayers.

Mr. BELEN. Our problem is that we were enjoined last year to do something about this rate problem. We came up with approximately what we are talking about.

Mr. BRAWLEY. Our real problem, to be frank about it, is whether or not we give them $1.1 billion subsidy or whether we give them $500 million. That is really the problem. The $250 million you are talking about and the $247 million for public service.

Mr. PILLION. The problem, of course, is one of public understanding, that you are not able to get the rates that should pay for the service in full if you have an accounting system that leaves out a cost of $500 million.

Mr. GARY. Mr. Alexander.

EFFORTS TO IMPROVE PRODUCTIVITY

Mr. ALEXANDER. Mr. Belen, I know that you have a wonderful background for the job you are in, and I want to compliment you and also Mr. Brawley and the other people in the Post Office Department on knowing what you are doing, and I think doing a good job.

I have seen questions come from a great many of the members of this committee, and I believe we are all keenly interested in mechanization, but year after year we are coming up and grappling with this problem of trying to see actually what the effect of mechanization is on productivity. I hope in the next year you will try to work out some scheme in which you can give us some tangible figures on just what we are accomplishing, something other than just that the increase of volume is eating it up, and so forth. I hope you will see what can be done along that line.

What progress has actually been made due to your checks and constant review of the work standards which were first started in the Brooklyn Post Office? I do not know whether the work measurement system is the correct name or not. What is the progress that has been made on that and what are the results that have come out of it?

Mr. BELEN. The situation with respect to the Brooklyn program was——

Mr. ALEXANDER. It started in the previous administration.

Mr. BELEN. Yes, it was practically a shamble when we came in. The employees felt they had a commitment that it would be virtually eliminated on January 14, last year. We had to start from there. We sat down with the employees and listened to their complaints against the existing system. Because of resistance and misunderstanding, productivity had dropped sharply in January and February. On June 24 we started a new system which took into consideration these employee complaints.

One of the complaints was that there was a difference in mail mix as between post offices. There is a larger volume of parcel post in Chicago as compared to some other post offices. We recognized this and are in the process of setting local standards which will take this mail mix into consideration. Another complaint was that we exerted all of this effort but nothing was done about it. We take action where it is indicated that productivity has dropped. We are following through on increasing the average productivity and this is reflected in our estimates. Our evaluation of the individual, of the post office, and of different units of the post office will help us improve efficiency. Basically, our program is not directed toward the individual, but it is a program to determine the efficiency of the organization—that is, the post office, or the tour, as a whole. There is an individual measurement one week each accounting period. We know how the general performance of the staff of this post office is progressing.

When we discussed this a year ago, I expressed the view that one of the major uses we would make of it would be a comparison of the particular post office concerned with its previous record rather than with another post office, because every post office is different. The larger the post office does not mean that the number of first handling pieces per man will be greater. The larger post office may make more separations, but as you are only counting the first handling of the pieces, the productivity would not look as good as that of another office. But, when you compare the post office itself, with what its previous record has been, you can see if it is improving or dropping back.

We have taken action where post offices have dropped back. We have sent out teams to review their operation and come up with demonstrated improvements. We have 199 first-class post offices with receipts of a million dollars and above where we direct our particular attention and our followup action. We also are having periodic meetings with regional directors to impress upon them the importance of this followup.

At the same time we try to emphasize that this program is only a tool and you cannot say, "This is what work measurement says." All this is changed. A post office reflects a decline when, for example, air-conditioning is being installed. During the period when things are disrupted, there is a definite loss of productivity. We found in the sixth period for example, from our charts on work measurement that there seemed to be loss of productivity, but it was actually a change in mail mix. We have found that the parcel post was rising substantially. WMS gives us a very good throttle to have our hand on, but only as a tool. We do not want to have it appear that it is directed toward an individual or a group of individuals. Actually, we have a work measurement in almost every element of the postal service. Probably the most clearly defined measurement is that in the carrier service. We make a survey and establish routes to provide 8 hours work on each, the carrier must make that route every day. He cannot put it off till tomorrow. They must cover their routes.

RESTUDY OF RURAL DELIVERY SERVICE

Mr. ALEXANDER. Since you have mentioned that, I know a great many of your rural carriers and I think they are generally doing an excellent job, but as you know in the past 15 or 20 years the routes that most of these people carry, the mode of travel has changed completely from a horse-and-buggy day to automobiles, from real bad roads to where generally most of the routes are paved or at least have good roads. I wonder if you have made any particular study with reference to change? I am familiar with your reevaluation every time a rural carrier retires or a post office is closed.

There is a study made, but I wonder if there has been a study made as to lengthening the routes, or a study of the pay structure of the rural carriers, to take into account all of these factors.

Mr. PILLION. Update the study of the workloads?

Mr. ALEXANDER. Yes. There would be a lot of difference in a 40-mile route 20 years ago and a 40-mile route today.

Mr. BELEN. Let us look at the estimate. We are going to have 28 fewer man-years. This is not much of a reduction, but it is not a

gain like the 8.6 million additional miles of travel in 1963, which causes the cost increase. On the other hand, we are very well aware of these inequities that develop primarily from the pay structure. Presently every carrier has a fixed base, with the result the shorter routes have a higher base per mile. Also as the city population moves out and before city delivery service is provided, those rural routes serving the area become very heavy.

STUDY OF RURAL CARRIER PAY

We have under study now, as a part of the President's program, an entirely different approach to the pay situation. It is being discussed with the rural carrier representatives.

Mr. Brawley might have something to say about that.

Mr. ALEXANDER. I want the rural carriers to be well paid but also I think that with the changing conditions that there is an entirely different situation than there was 15 years ago in regard to rural routes.

Mr. BELEN. The thing developed when we set up the hours it took the carrier to cover the route. Some carriers were getting a substantial hourly rate. I think that was the basis of it. Mr. Brawley is more familiar with it than I.

Mr. BRAWLEY. Some 2 months ago I believe we received a report from GAO on a study of the rural carrier situation, pay, hours of work, et cetera. As a result of that report, I think I can assure you that legislative changes will be recommended to the Congress at this session to straighten this out. I think it will mean substantial savings to the Department if and when this is enacted.

Mr. BELEN. And equity as between rural carriers.

Mr. BRAWLEY. That is right. The GAO report pointed out some rural carriers were getting as high as $17 an hour.

Mr. PILLION. That is what Mr. Alexander is driving at, I am sure.

Mr. ALEXANDER. I realize there is a lot of difference in routes and there are a lot of factors to be taken into consideration and generally the rural carriers I know are doing a good job. I want to commend you for making this study. I think it ought to be made.

Mr. PILLION. It is one of our gross inequities. No one wants to bring about a nonfair labor situation but where there are gross inequities, and I think that is what Mr. Alexander is limiting his questioning to, certainly it ought to come to the attention of Congress, with recommendations that must come from the Department.

Mr. BELEN. We are trying to get a general agreement on the part of the rural carriers' representatives so that many of the problems may be eliminated before it is presented up here. It is a complicated thing. We think we can take those things into consideration.

Mr. ALEXANDER. That is all, Mr. Chairman.

Mr. GARY. Mr. Conte?

Mr. CONTE. I want to compliment Mr. Belen and also the Postmaster General for appointing him in this most important job. With his wealth of knowledge and background on the Hill, he certainly has been an asset to the Post Office Department.

I also want to compliment him on that fine picture he had in Time magazine with the Cabinet. We saw it in Africa and we were really pleased.

POSTAL PAY BILLS

Mr. Belen, I ran across a bill filed by Mr. Morrison on January 10 of this year, H.R. 9531, pay for postal employees. Is this the same bill that the Postmaster General referred to as a pay raise for postal employees 2 days ago?

Mr. BELEN. A number have been introduced. There were about 20 introduced that day.

That is not the bill that would be in the budget.

Mr. CONTE. Could you touch on the bill that is in the budget or what the formula will be?

Mr. BRAWLEY. Congressman Conte, I think this is, so far, classified confidential.

(Discussion off the record.)

Mr. CONTE. Mr. Brawley, we can expect at some future date how that $60 million will be broken down?

Mr. BRAWLEY. Yes, sir; there will be a specific recommendation on that.

MAIL FROM SOVIET BLOC COUNTRIES

Mr. CONTE. In regard to Mr. Pillion's question of yesterday in regard to Communist mail coming into the United States from foreign countries, including Soviet bloc countries, Mr. Cunningham of the Post Office Committee has filed a bill to more or less prevent this mail from coming into the United States. Will this come under the jurisdiction of the Post Office Department? Do you have any jurisdiction whatsoever over this?

Mr. BRAWLEY. Well, as you know, it is a joint jurisdiction between the Department of Treasury, the Post Office Department, and the Department of Justice. As the general said yesterday, there are two proposals, one made by Congressman Walter, and I think he said he believes that the Cunningham amendment is unconstitutional. He is pretty sure it is.

The general explained the changes that have been made in this program in March; that prior to that the propaganda that came in was surveyed by the Bureau of Customs. The recipient was then notified that he had the material addressed to him. If he did not want it, it was destroyed. It was entirely up to the recipient. Only about 5 percent of the total was involved in this. There were six court cases that had been filed and it was the opinion of the National Security Council and the Department of Justice that these cases could not stand up in court.

There has never been any prohibition against, for instance, delivering this material to colleges and universities. The practice of notifying the recipient in advance and asking him whether he wanted to receive it or not is the part that was stopped. The problem we have is in our reciprocal arrangement with the various countries. When we send material to other countries under the arrangement, they are supposed to deliver it without charging us and we do the same for them.

The breakdown on the figures is that for the past 12 months I think we have sent 16 million pounds to these Iron Curtain countries and only received 2 million pounds to be delivered in this country. Propaganda that advocates the violent overthrow of the Government is stopped and is destroyed.

Mr. CONTE. Mr. Brawley, who determines whether the propaganda that is coming in is of an inflammatory nature?

Mr. BRAWLEY. The Bureau of Customs has facilities to do that. We do not make that determination.

Mr. CONTE. It never gets to you if they determine that it is inflammatory?

Mr. BRAWLEY. No, sir.

Mr. PILLION. Will the gentleman yield?

Mr. CONTE. Yes.

Mr. PILLION. The statement made, Mr. Brawley, by yourself that any attempt to restrict the dissemination of Communist propaganda is unconstitutional—did you ascribe that to Representative Walter?

Mr. BRAWLEY. That is right.

I was just quoting Representative Walter on the Cunningham bill. That is not my opinion at all.

Mr. PILLION. That involves, of course, the question of the Supreme Court and their interpretation of what may or may not be constitutional, which of course I think a large segment of Congress and a large segment of the United States is in reasonable disagreement with so far as the Supreme Court decisions are concerned.

Mr. GARY. Unfortunately, however, Mr. Pillion, we have to abide by them.

Mr. PILLION. Congress, on the other hand, has the power to legislate and sometimes when these decisions are legislative rather than merely interpretations of the Constitution.

Mr. GARY. I agree with you thoroughly. I said it was unfortunate but we do have to abide by them.

I said unfortunately, and I said it with due consideration.

Mr. BRAWLEY. I would say substantially that is a correct statement and I refer to the fact that many Americans have relatives, mothers, fathers, sisters and brothers, and other people in these Iron Curtain countries and predominantly this 16 million pounds are food, clothing, shoes and so forth.

Mr. GARY. On the other hand, not all of the 2 million pieces coming into this country from the other countries would necessarily be propaganda?

Mr. BRAWLEY. No, sir.

Mr. PILLION. But the estimate would be that a great bulk is?

Mr. GARY. I think probably a large part of it is but it would not necessarily follow that it was all because those same relatives in the other countries would probably be communicating with their relatives back in this country. That probably would not be propaganda.

Mr. CONTE. I thought this was a good time to get this in the record.

POSTAL RATE AND PAY LEGISLATION

Getting back to the postal rate increase and the recommendation made by the general in regards to the pay raise, would these be incorporated in the same bill or would they be taken up separately?

Mr. BRAWLEY. We hope it will be a separate measure. We hope the House will pass the rate bill next week. The pay proposal, of course, has not been discussed before the legislative committee so we hope that this will come along later.

Mr. CONTE. Fair enough.

Mr. Belen, has there been any rate increase by the railroads or the airlines during 1962 or are there any cases pending?

Mr. BELEN. This would come under Mr. Hartigan, whom I believe is next.

Mr. CONTE. Also the Greyhound Bus?

Mr. BELEN. Yes, sir.

Mr. CONTE. Contracting for vehicles would come under Mr. Hartigan?

Mr. BRAWLEY. For star routes; yes.

Mr. CONTE. I have no further questions.

Mr. GARY. Mr. Milliken?

Mr. MILLIKEN. Is this $60 million that you referred to for all Government employees or just postal employees?

Mr. BELEN. Postal employees.

Mr. CONTE. Mr. Chairman, I would like to have the record show that my complimentary remarks about Mr. Belen apply to Mr. Brawley as well.

Mr. BRAWLEY. Thank you, sir.

Mr. GARY. Thank you, Mr. Belen, for a very lucid and comprehensive description of the operation of your Department and your proposed operations for next year. We are delighted at the progress that is being made toward more efficient and more economical mail handling and I assure you, sir, that you will have the cooperation of this committee in your efforts in that direction.

Mr. BELEN. It is certainly directed toward economy all the way. Thank you, sir. The past cooperation we have had here has been very helpful to us.

Mr. PILLION. We wish all the other Departments could come up with the same type efficient approach you gentlemen have demonstrated.

Mr. BELEN. Thank you very much.

Mr. GARY. I have always said that I think the Treasury Department is the most efficient Department of the entire Government of the United States and our committee through the years has been trying to get the same degree of efficiency in the Post Office Department that they have in the Treasury Department.

I think we are gradually reaching that goal and I can assure you that it is very gratifying to me and, I feel quite certain, to the other members of the committee.

Mr. PILLION. My opinion has always been that the Post Office Department has been the most efficient and because of their accounting system, where we can see what they are doing, I believe the Post Office Department has been the most efficient from the standpoint of operations.

Mr. GARY. Up until the past few years they have not made the progress in modernization that the Treasury Department has but I think they are catching up now. I am very much gratified to see it. We are going to help you all we can.

Mr. BELEN. Thank you, sir.

Mr. GARY. Thank you, gentlemen.

WEDNESDAY, JANUARY 17, 1962

TRANSPORTATION

WITNESSES

H. W. BRAWLEY, DEPUTY POSTMASTER GENERAL
WILLIAM J. HARTIGAN, ASSISTANT POSTMASTER GENERAL, BUREAU OF TRANSPORTATION
FREDERICK E. BATRUS, DEPUTY ASSISTANT POSTMASTER GENERAL
CHRISTOPHER C. SCOTT, DEPUTY ASSISTANT POSTMASTER GENERAL
RALPH W. NICHOLSON, ASSISTANT POSTMASTER GENERAL
G. ALLAN BROWN, EXECUTIVE ASSISTANT
JOSEPH F. JONES, ACTING DIRECTOR, RESEARCH AND DEVELOPMENT
CHARLES A. McINTYRE, DIRECTOR, DISTRIBUTION AND ROUTING DIVISION

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Surface transportation (obligations and funded operating costs):			
(a) Water	23,053	23,726	24,502
(b) Highway	102,830	112,325	122,313
(c) Rail	352,454	355,412	357,468
2. Air transportation (obligations and funded operating costs)	79,187	88,037	97,217
Total program obligations and funded operating costs (object class 22)	557,524	579,500	601,500
Financing: Unobligated balance lapsing	5,476	2,500	
New authority	563,000	582,000	601,500
New authority:			
Appropriation	567,600	590,000	601,500
Transferred to—			
"Operations"	−4,000	−8,000	
"Modernization and improvement of buildings and equipment"	−600		
Appropriation (adjusted)	563,000	582,000	601,500

Mr. GARY. We will now consider the appropriation for transportation in the Post Office Department.

The transportation appropriation for 1962 was $590 million. The estimate for 1963 is $601,500,000, or an increase over 1962 of $11,500,000.

JUSTIFICATION OF THE ESTIMATE

We will insert at this point in the record pages 30.1 through 30.3, 31.1 through 31.7, and 32.1 through 32.5 of the justifications.

(The pages follow:)

Statement relating 1961, 1962, and 1963 programs

[Thousands of dollars]

1961 program (obligations incurred)		$557,524
FISCAL YEAR 1962		
Increase or decrease due to—		
Water transportation: Increase of 5.5 percent in domestic service caused by volume growth in Alaskan and Hawaiian mail; and of 2.2 percent in foreign mail	$673	
Highway transportation: Increase of 9.2 percent due to the continued expansion of star route service	9,495	
Railroad service: Increase of 1.5 percent in volume ($3,971,000) offset by discontinuances ($5,659,000)	−1,688	
Full-year cost of rate increase effective Sept. 1, 1961	4,646	
Domestic airmail service: Increase in weight, airmail 12.2 percent and airlift of nonpriority mail 3.7 percent plus slight increase in rates	6,165	
Foreign airmail service: Increase in pounds of airmail 9.8 percent	2,685	
		21,976
1962 program (estimated obligations)		579,500
FISCAL YEAR 1963		
Increase or decrease due to—		
Water transportation: Increase of 5.5 percent in domestic volume and 5 percent increase in rates and 1.39 percent in foreign volume	$776	
Highway transportation: Increase of 8.9 percent due mainly to estimated increase in star route service	9,988	
Railroad service: Increase of 2.9 percent in cubic volume ($7,734,000) offset by discontinuances ($5,678,000) resulting in a net increase of 0.6 percent	2,056	
Domestic airmail service: Increase in tonnage of airmail 10 percent and airlift nonpriority mail 4 percent	6,280	
Foreign airmail service: Increase in tonnage of 9.8 percent	2,900	
		22,000
1963 program (estimated obligations)		601,500

Analysis of estimated increase in obligations, 1962–63

[Thousands of dollars]

Activity and account	1961 actual	1962 estimate	Increase or decrease (−)		1963 estimate	Increase or decrease (−)	
			Amount	Percent		Amount	Percent
Surface transportation:							
Water transportation	$23,053	$23,726	$673	2.9	$24,502	$776	3.3
Highway transportation	102,830	112,325	9,495	9.2	122,313	9,988	8.9
Railroad service	352,454	355,412	2,958	.8	357,468	2,056	.6
Subtotal	478,337	491,463	13,126	2.7	504,283	12,820	2.6
Air transportation:							
Domestic airmail service	55,769	61,934	6,165	11.1	68,214	6,280	10.1
Foreign airmail service	23,418	26,103	2,685	11.5	29,003	2,900	11.1
Subtotal	79,187	88,037	8,850	11.2	97,217	9,180	10.4
Total transportation	557,524	579,500	21,976	3.9	601,500	22,000	3.8

GENERAL STATEMENT

To characterize more fully the service for which transportation funds are expended, the appropriation is divided into two major activities: (1) Surface transportation, and (2) air transportation. This division of the transportation obligations lends itself to estimating costs by the particular type of mail involved, rather than by a particular means of transporting such mail. The level of operation in a particular medium of transportation influences to some degree the total transportation cost.

There continues to be a substantial reallocation of mail transport between rail, on the one hand, and highway and air, on the other. This shift reflects an increasing rate of cost in some subactivities and a decreasing rate in others. The cost in each of the basic activities as a whole, however, runs parallel to the volume of mail after giving effect to the shift from one mode of transportation to another. This relationship will be explained more fully in the justification of amounts required in each of the two major activities.

ANALYSIS OF OBLIGATIONS

Surface transportation, increase $12,820,000

[In thousands]

Item	1961 actual	1962 estimate	Increase or decrease (−)	1963 estimate	Increase or decrease (−)
Domestic water transportation	$4,904	$5,177	$273	$5,695	$518
Foreign water transportation	11,194	11,441	247	11,600	159
Terminal-transit charges	6,955	7,108	153	7,207	99
Total, water transportation	23,053	23,726	673	24,502	776
Star route service	59,154	65,694	6,540	72,600	6,906
Short-haul truck service	18,882	21,702	2,820	24,684	2,982
Mail messenger service	18,860	19,000	140	19,100	100
Highway post offices	5,934	5,929	−5	5,929	----------
Total, highway transportation	102,830	112,325	9,495	122,313	9,988
Railroad service	352,454	355,412	2,958	357,468	2,056
Total obligations	478,337	491,463	----------	504,283	----------
Total increase over prior year	16,780	13,126	----------	12,820	----------
Percent increase over prior year	3.6	2.7	----------	2.6	----------

JUSTIFICATION

Under this activity are included the funds required for compensation to the carriers of mail by water, highway, and railway. It includes both the surface transportation of mail within the United States and to and from foreign countries.

Basis of estimate and budgetary assumptions.—The overall estimate for this activity is based upon the cubic volume of surface mail anticipated and the general trend in the surface transportation pattern. On the basis of reasoned assumptions, the trend away from rail to highway will continue in 1963, but at a substantially reduced rate. This will result in increased budget requirements for highway service but rail service will not increase consonant with the volume increase. Railway post office service, which is not materially influenced by mail volume fluctuations, will continue to decline but at a slower rate than experienced in recent years.

New and increased Federal and State taxes and fees, rising wage scales, and the present rising trend of the general economy is considered in contracts to be awarded on readvertised service and in the readjustment of contract rates under the various laws governing such readjustments. Some rate increases are expected in domestic water transportation, but no change in foreign water transportation rates is anticipated.

In 1963 the volume of nonlocal surface mail in terms of pieces is projected to increase 4.7 percent. Due to the mix in the various classes of mail the volume change will result in an increase of 2.9 percent in cubic measurement.

There follows an analysis of surface mail volume in pieces and cubic feet and the cost of transporting such volume for the fiscal years 1958 through 1963:

Analysis of nonlocal surface mail volume and transportation cost

[In thousands]

Fiscal year	Pieces of nonlocal mail	Percent change	Cubic feet	Percent change	Cost including airlift [1]	Percent change	Airlift cost
1958	42,222,146		787,931	[2] −0.46	$483,311		$3,296
1959	42,721,665	1.18	800,943	1.65	487,235	0.81	3,263
1960	43,478,010	1.77	809,651	1.09	497,886	2.19	3,867
1961	44,130,516	1.50	797,112	[2] −1.55	488,628	−1.86	5,645
1962 (estimated)	45,194,763	2.41	808,780	1.46	497,460	1.81	5,997
1963 (estimated)	47,306,676	4.67	832,262	2.90	510,621	2.65	6,338

[1] 1958–60 adjusted for railroad rate increase for comparability.
[2] Combined effect of economic conditions and parcel post rate increases.

Domestic water transportation, increase $518,000.—This service provides for the transportation of mail to and from post offices located on inland waters of the United States and between the United States and Puerto Rico; also between west coast ports and Alaska and Hawaii. The major part of the total water transportation cost is for the transportation of mail at pound rates to and from Alaska, Hawaii, and Puerto Rico. A small part of the service is maintained at per annum contract rates and at per trip rates.

It is estimated that in 1963 the tonnage of mail to and from Alaska, Hawaii, and Puerto Rico will increase 6.1 percent, which is approximately the same rate of increase experienced in the past several years. The cost will increase $259,000 due to the additional volume, $224,000 due to Public Law 724 cost adjustments, and $35,000 due to increased cost of contracts awarded on routes readvertised and miscellaneous service changes, making a total increase of $518,000.

Foreign water transportation, increase $258,000.—This fund is for payments for the conveyance of mails to foreign countries by steamship lines. Payments to steamship companies are made at pound rates, based on the distances involved. Also, there is charged to this account amounts payable to foreign countries for terminal charges on our parcel post and charges for intermediary transit of our regular mails through foreign countries to the countries of destination.

It is estimated that in 1963 the weight of mail transported to foreign countries will increase to 199,214,000 pounds or 1.4 percent. The cost will increase by the same percentage points as the increase in weight, or $258,000.

Star route service, increase $6,906,000.—Star routes are maintained primarily for mail movement between post offices where other means of mail transportation are not available or are inadequate, and to provide supplemental service to a large number of offices. Some routes are maintained exclusively for the purpose of providing box delivery and collection service. More than half of those supplying post offices also provide some box delivery and collection service, but the function of star routes is primarily transportation.

Star routes are established by the awarding of contracts to the lowest responsible bidders, after the proposals for such services have been properly advertised. The majority of the contracts are at fixed per annum rates of compensation, but some service is at a piece, pound, or trip rate.

The trend of diversion from railway to highway continues at a relatively high rate. The discontinuance of hundreds of mail-carrying trains has accelerated this diversion in very recent years. With progressive improvement in highways and mail-carrying highway vehicles much of the mail formerly carried by rail is being absorbed in the present route structure of highway service. Hence, the number of star routes do not increase in direct proportion to the increase in cost. This results in a higher average rate per route.

It is expected that this trend will be evident through fiscal year 1963, in which year it is estimated star route costs will total $72,600,000. This is an increase of $6,906,000 over the projected cost for 1962.

There follows an analysis of the number of star routes, the fiscal year cost, and the average cost per route for the years 1958 through 1963:

Analysis of star routes

	Number of routes	Total cost	Average cost per route
1958	10,032	$43,921,000	$4,378
1959	10,078	46,864,000	4,650
1960	10,308	53,211,000	5,162
1961	10,437	59,154,000	5,668
1962 (estimated)	10,683	65,694,000	6,149
1963 (estimated)	10,876	72,600,000	6,675

Short-haul truck service, increase $2,982,000.—Like star route service, short-haul truck service is maintained for the transportation of mail between post offices. Short-haul truck routes are established under the laws governing star routes.

It is expected that this service will be expanded substantially in 1962 and 1963 as more of the unprofitable mail-carrying trains are discontinued. It is estimated that a net of eight additional routes will be added in 1963. This together with readjustments under 39 U.S.C. 6423a and service changes will increase costs by $2,982,000. There follows an analysis of the number of routes, the fiscal year cost, and the average cost per route, for the years 1958 through 1963:

Analysis of short-haul truck routes

	Number of routes	Total cost	Average cost per route
1958	656	$12,830,000	$19,558
1959	710	14,243,000	20,061
1960	720	16,840,000	23,389
1961	712	18,882,000	26,520
1962 (estimated)	716	21,702,000	30,310
1963 (estimated)	724	24,684,000	34,094

Mail messenger service, increase $100,000.—Mail messenger service is established and maintained for the transportation of mail between post office stations and branches and railroad terminals, airport mail facilities, and air stop points. Contracts are awarded through the competitive bidding procedure. Most of the service is performed at per annum contract rates, but some service is at trip rates.

With the trend being away from rail transportation, mail messenger service to and from railroad terminals is showing a relative decline. Since 1958, 2,981 per annum contract mail messenger routes have been discontinued. Because of the ever-increasing mail volume on those routes continuing in service, the annual contract rates have decreased only $1,728,000.

The only area of expansion in mail messenger service is in the trip rate service which involves service to airport mail facilities and air stop points. It is estimated that in 1963 this trip rate service will increase $500,000, which is offset by a decrease of $400,000 in the per annum contract rate routes, leaving a net increase of $100,000.

Highway post offices.—This service is established and operated over designated routes, authorized by the Post Office Department, for the receipts, distribution, transportation, and dispatch of mail. Routes are operated under formal contracts, awarded after competitive bidding or renewal of existing contracts.

As the development and implementation of national and area plans for transportation and distribution of mail progresses, the need for expanded highway post office service diminishes. No increase in cost is anticipated in 1963.

Railroad service, increase $2,056,000.—Three major categories of railroad service comprise over 90 percent of railroad transportation costs. These categories are: (1) railway post offices, (2) line-haul storage service, and (3) terminal and piece handling charges. Line-haul storage service and terminal and piece handling charges are especially sensitive to mail volume changes. While the other railroad services are to some degree influenced by mail volume fluctuations, cost changes in these services are attributable more to changes in special agreements and contracts than to any other factor.

As mentioned under star route service, the trend in mail transportation has shown a high rate of diversion from railroad to highway. It is expected that diversions will continue through 1963. The present rising trend of the general economy will be reflected in a higher volume of mail being transported by railroads in 1962 and 1963, which will more than offset the loss in service by diversion to highway.

There follows an analysis of the effect of the reduction in rail obligations and volume increase on the major categories of rail transportation costs in 1962 and 1963.

Analysis of estimates—Railway post offices, line-haul, terminal, and piece handling, 1962–63

	Thousands
1961 base cost	$329,605
1.5 percent increased volume, 1962 [1]	3,620
Rate increase (annualization of rate increase effective 10 months in 1961)	4,646
Total	337,871
Reduction in rail utilization	−5,659
Net cost in major categories	332,212
Other rail services	23,200
Total estimate, 1962	355,412
1962 base cost	332,212
2.9 percent increased volume, 1963 [1]	7,292
Total	339,504
Reduction in rail utilization	−5,678
Net cost in major categories	333,826
Other rail services	23,642
Total estimate, 1963	357,468

[1] Percentage increase applied only to line haul and terminal and piece handling.

Analysis of Obligations

Air transportation, increase $9,180,000

[In thousands]

Item	1961 actual	1962 estimate	Increase or decrease (−)	1963 estimate	Increase or decrease (−)
Domestic:					
Airmail service	$50,124	$55,937	$5,813	$61,876	$5,939
Nonpriority mail (airlift)	5,645	5,997	352	6,338	341
Total domestic	55,769	61,934	6,165	68,214	6,280
Foreign:					
Airmail service	21,497	23,962	2,465	26,624	2,662
Transit charges	1,921	2,141	220	2,379	238
Total foreign	23,418	26,103	2,685	29,003	2,900
Total obligations	79,187	88,037	----------	97,217	----------
Total increase over prior year	7,960	8,850	----------	9,180	----------
Percent increase over prior year	11.2	11.2	----------	10.4	----------

JUSTIFICATION

This activity includes the transportation of mail by air within the United States and to and from foreign countries by U.S. certificated air carriers and by foreign flag carriers. Air carriers are authorized to engage in transportation of mail by the Civil Aeronautics Board. The Postmaster General is required by law to tender mail to the carriers to the extent required by postal service. Rates of compensation for the transportation of mail by U.S. carriers are established by the Civil Aeronautics Board. Those for foreign flag carriers are established by international agreements and conventions.

Basis of estimate.—The relevant factors affecting airmail costs are: volume of airmail dispatched with particular attention to the mix in classes of airmail, the average distance of haul and rates as established by the Civil Aeronautics Board.

Domestic airmail service, increase $5,939,000.—In 1961 weight of domestic airmail increased 6.8 percent. In 1963 it is estimated that the weight will increase 7.7 percent over 1962. Assuming that the average length of haul will be consistent with the experience of the past several years, the ton-miles will increase 10.6 percent. Application of the current ton-mile rate produces an estimated cost of $61,876,000 or an increase of $5,939,000 over 1962. There follows an analysis of domestic airmail service for fiscal years 1958 through 1963:

Domestic airmail service

[In thousands]

	1958	1959	1960	1961	1962 estimate	1963 estimate
Pounds:						
Penalty mail [1]	5,881	12,106	16,293	18,319	20,151	22,167
Pieces in excess of 8 ounces	42,862	48,105	52,312	57,720	64,933	71,619
All other	48,883	48,875	50,451	51,137	52,393	54,222
Total	97,626	109,086	119,056	127,176	137,477	148,008
Percent change:						
Penalty mail [1]		105.85	34.59	12.43	10.00	10.00
Pieces in excess of 8 ounces		12.23	8.75	10.34	12.50	10.30
All other		−0.02	3.22	1.36	2.46	3.49
Total		11.74	9.14	6.82	8.10	7.66
Ton-miles	87,799	98,926	111,453	121,985	136,890	151,426
Percent change		12.67	12.66	9.45	12.22	10.61
Costs	$36,948	$41,089	$46,049	$50,124	$55,937	$61,876
Percent change		11.21	12.07	8.85	11.60	10.61

[1] Growth in penalty airmail is attributable in part to reclassification from other airmail as agencies have gradually discontinued use of stamps and metered postage and made settlement in lump sums through headquarters.

Nonpriority mail (airlift), increase $341,000.—Only a normal growth of approximately 4 percent is projected for the movement of first-class mail by air. This growth coupled with the full year effect of CAB rate order, E–17255, effective September 17, 1961, will increase airlift costs from $5,997,000 to $6,338,000, or $341,000. CAB order E–17255 provides for a multielement rate that will yield 18.2 cents per ton-mile between points within the 48 contiguous States and between points within those States and certain offshore points other than Alaska; and 20.6 cents per ton-mile between points within the 48 contiguous States and Alaska. It is estimated these rates will increase costs about $250,000 on a full-year basis.

Foreign airmail service, increase $2,900,000. The tonnage of foreign airmail continues to increase. In fiscal year 1961 this volume increased 9.3 percent. It is estimated the weight of foreign airmail dispatched will increase 11.4 and 11.1 percent in fiscal years 1962 and 1963, respectively. This will increase payments to the international airmail carriers from $23,962,000 in 1962 to $26,624,000 in 1963, an increase of $2,662,000. Foreign country transit charges will increase correspondingly from $2,141,000 in 1962 to $2,379,000 in 1963, an increase of $238,000.

Payments for transportation of military airmail and for airlifting military nonpriority mail will increase from $39,071,000 in 1962 to $41,037,000 in 1963. Costs for these services are reimbursable by the Department of Defense. Accordingly,

appropriated amounts are net of these reimbursements. There follows an analysis of foreign airmail for fiscal years 1959 through 1963:

Analysis of foreign airmail (exclusive of military mail)

[In thousands]

	1959	1960	1961	1962, estimate	1963, estimate
Transatlantic:					
Pounds	6,839	7,597	8,233	9,036	9,921
Ton-miles	13,718	14,562	16,826	18,658	20,730
Cost	$9,105	$9,733	$11,047	$12,314	$13,682
Transpacific:					
Pounds	1,284	1,512	1,694	1,859	2,041
Ton-miles	10,187	11,185	11,783	13,040	14,489
Cost	$5,497	$5,925	$6,200	$6,911	$7,679
Latin American:					
Pounds	4,968	5,333	5,697	6,252	6,864
Ton-miles	6,728	6,964	7,159	8,029	8,920
Cost	$3,786	$4,002	$4,250	$4,737	$5,263
Total civilian airmail:					
Pounds	13,091	14,441	15,624	17,147	18,826
Percent change		10.31	8.19	9.75	9.79
Ton-miles	30,633	32,711	35,768	39,727	44,139
Percent change		6.78	9.35	11.07	11.11
Cost	$18,388	$19,660	$21,497	$23,962	$26,624
Percent change		6.92	9.34	11.47	11.11

Mr. GARY. Mr. Hartigan, I believe this is your first appearance before the committee?

Mr. HARTIGAN. That is correct, sir.

BIOGRAPHIES OF NEW MEMBERS

Mr. GARY. In accordance with the custom of the committee, we would appreciate it if you will insert at this point in the record a short biography for the benefit of the Members of Congress.

(The biography follows:)

BIOGRAPHICAL SKETCH OF WILLIAM J. HARTIGAN

Mr. Hartigan, Assistant Postmaster General, Bureau of Transportation, is a transportation specialist. He was formerly a White House staff official. He was born in Revere, Mass., in 1923 and is a graduate of the Beacon Institute of Podiatry. He took prelaw courses at Suffolk University in Boston and university extension courses from Harvard University and the Massachusetts Institute of Technology. Mr. Hartigan also is a former account executive for domestic and international freight forwarders, assisting them in increasing freight business and creating new markets for services.

He served from 1942 to 1945 in the U.S. Army Air Corps in the China-Burma-India theater. From 1952 to 1960, he was a cargo specialist in the aviation industry, advising shippers on economical and quick modes of transportation, both foreign and domestic.

In 1960 he served as a member of the Massachusetts Emergency Finance Board, which authorizes the expenditures of approximately a quarter of a billion dollars a year to cities and towns in Massachusetts. He has been a member of the Traffic Club of New England, the National Defense Transportation Association, the Revere American Red Cross, Revere Chamber of Commerce, American Legion, Veterans of Foreign Wars and the Disabled American Veterans' Post, all of Revere.

He is married and has five children—three girls and two boys.

Mr. BRAWLEY. The Deputy, Mr. Scott, is making his first appearance. I think he wants to file a biographical sketch. I think Mr. Batrus has appeared before you in the past.

Mr. GARY. Yes.

Mr. HARTIGAN. Mr. McIntyre, Mr. Brown and Mr. Jones will do likewise.

Mr. GARY. Thank you.

If you will put those in at this point in the record.

(The biographical sketches follow:)

BIOGRAPHICAL SKETCH OF CHRISTOPHER C. SCOTT

Christopher C. Scott, born December 12, 1902, at Houston, Tex.

Educated in the parochial school at Phoenix, Ariz., graduated from high school in Lawrence, Kans. and attended the University of Southern California at Los Angeles, Calif.

Entered postal service in May 1923. Promoted to supervisory position in 1936. Received progressive promotions in 1942, 1949, 1950, 1954; and 1957.

Appointed Deputy Assistant Postmaster General on March 24, 1961.

Married and maintains permanent residence in Los Angeles, Calif.

BIOGRAPHICAL SKETCH OF JOSEPH F. JONES

Mr. Jones was born in Boston, Mass., in 1914.

He was graduated from Boston College with honors in 1936, and received graduate degrees from the Sorbonne in Paris in 1937 and Boston College in 1938.

He has been employed in the postal service since 1938, except for 4 years military service in World War II.

He has worked in all phases of the postal transportation service, field and departmental, including the international service.

He is married and has two children. He resides in Cheverly, Md.

BIOGRAPHICAL SKETCH OF G. ALLAN BROWN

Mr. Brown was born April 2, 1916, in Revere, Mass., and graduated in 1939 from Colby College, Waterville, Maine. He has taken courses at Boston University, Boston, Mass., and has attended graduate schools at New York University, New York City, and Southern Methodist University, Dallas, Tex.

Mr. Brown began his career in transportation in 1942. He has been employed by the same air transportation firm since that time, and has worked in Boston, Mass., New York City, and for the last 10 years has been located in Dallas, Tex. He has held various supervisory positions in the fields of office management, budgeting, administration, and training.

Mr. Brown was married in 1942 to Pricilla Tufts of Malden, Mass., and has three children: Judith, 18; Beverely, 17; and Robert, 14. He resides in Fairfax, Va.

Prior to coming to Washington in August 1961, Mr. Brown was a member of the chamber of commerce, Irving, Tex., was active in school affairs and served on a special county committee for the improvement of the State school system. He was active in church affairs and a ruling elder of the Presbyterian Church, United States, a member of the American Society of Training Directors and American Management Association.

BIOGRAPHICAL SKETCH OF C. A. MCINTYRE

Mr. McIntyre was born November 14, 1909, at Jonesboro, Tenn. He attended the public schools in the State of Kansas and received a bachelor of arts degree at Kansas Wesleyan in 1932, with majors in mathematics and business administration. He did postgraduate work at the University of Colorado in mathematics and accounting.

After 8 years as an instructor in mathematics and bookkeeping in the high schools of the State of Kansas, he entered the postal service as a postal transportation clerk in Kansas City, Mo.

From 1948 to 1953 he served as a counselor-instructor and as assistant general superintendent in charge of airmail transportation in the regional office in St. Louis, Mo.

In 1953 Mr. McIntyre was appointed Assistant Director of the Division of Air Service in the Bureau of Transportation in the Post Office Department in Washington, D.C. Since that time he has served as a division director in the Bureaus of Operations and Transportation. At present he is the Director of the Distribution and Routing Division in the Bureau of Transportation.

He was married in 1933 to the former Iona Fallis of Salina, Kans. Mr. and Mrs. McIntyre have a daughter, 23, who is a student in Boston, Mass. Mr. and Mrs. McIntyre reside at 301 Cheryl Drive, Falls Church, Va.

Mr. GARY. May I ask concerning the figures that I have just mentioned and put in the record, does that take into consideration the transfer out of this Department?

Mr. NICHOLSON. No, sir, it does not. Giving effect to the transfer of $8 million and giving effect to an anticipated unused balance, the figures are as follows: Fiscal year 1962, $579,500,000, fiscal year 1963, $601,500,000, an increase of $22 million.

Mr. GARY. Mr. Hartigan, do you have a statement?

GENERAL STATEMENT

Mr. HARTIGAN. Yes. We have a very broad statement with reference to the transportation. At the outset I would like to ask your indulgence for bringing so many people to your meeting but being here for the first time, we thought we could eliminate any dragging out of the hearings by having the experts from the Bureau here with me to assist in giving you direct answers.

Mr. GARY. We never object to having such members of the staff present as you think are necessary to make a proper presentation of your case.

In the past our hearings have been cramped because of lack of space. That has been one reason for limiting the number of staff members. We have a little more space now and we do not have to be quite as particular.

Mr. HARTIGAN. Thank you very much.

INCREASES REQUESTED

In general, there is an increase of $22 million in the fiscal year 1963 budget over fiscal year 1962.

On page 30.1, the lower half of the page, it gives in fairly good detail where the increases occurred and how we are justifying this $22 million increase over the previous budget.

Mr. GARY. I think it would be well if you would give us at this point some information concerning each of those items.

Mr. HARTIGAN. Generally speaking, water, highway, foreign and domestic airmail service, the increases have been attributed to an anticipated increase in volume, in addition to the anticipated increase in rate adjustments such as, for example, water transportation, where it says 5 percent increase in rates. The term "rates" in that particular use is not rates as we in the field of transportation interpret it but these are rate adjustments rather than anticipated rate increases as such.

With reference to the other modes of transportation listed here, water increased 5 percent in domestic and a 5-percent increase in the rates, and I will use the corrected term "adjustments" and 1.39-percent increase in foreign water transportation; highway increase is 8.9

percent due mainly to increase in the estimated star route services. In that particular category, we take into consideration the increased services of the star route carrier as needed, plus the anticipated increased volume that we expect will be put on the star route services.

Mr. GARY. The star route then is attributed to the Transportation Department whereas the rural routes are budgeted in operations?

Mr. HARTIGAN. That is correct, yes, sir.

Mr. GARY. That is the reason you have this increase in star routes here?

Mr. HARTIGAN. Yes, sir; that is correct.

Mr. GARY. All right, sir. Please proceed.

Mr. HARTIGAN. Railroad services, an increase of 2.9 percent in cubic volume and that is offset by discontinuance of some of the services in the railroad resulting in a net increase of 0.6 percent. The domestic airmail service increase in tonnage of airmail is estimated at 10 percent and the airlift nonpriority mail is 4 percent. The foreign airmail service increase in tonnage is 9.8 percent—that covers the $22 million, over and above the previous budget of $579,500,000, gives a total of $601,500,000.

That in very general terms outlines the increases for the fiscal year 1963. If there are any more questions, I would be glad to try to answer them.

CHANGES IN TRANSPORTATION

Mr. GARY. What changes do you have in your Department, if any, planned for 1963?

Mr. HARTIGAN. As far as planned changes are concerned, we have none planned. We are constantly changing because of the particular function we have in the Post Office Department. We have to be able to change, of course, as mail is generated. This necessitates our being flexible so that we can change either modes or routings of transportation in those two major fields. We are constantly changing, but we have not a planned program for any major changes.

ORGANIZATIONAL CHANGES IN BUREAU OF TRANSPORTATION

Mr. GARY. Have you had any major changes in administration or policy during the past year?

Mr. HARTIGAN. We have had a recent change administratively speaking in our personnel setup in the Bureau. We have had an organizational change which now has the Bureau consisting of an Assistant Postmaster General, two Deputies, one Deputy Assistant Postmaster General is responsible for the Divisions of International Service and Research and Development and the other Deputy is responsible for the Divisions of Domestic Transportation and Distribution and Routing. That would be the major change administratively speaking, yes. That was just recently put in.

Mr. GARY. That has been completed?

Mr. HARTIGAN. It went into effect August 15.

Mr. GARY. You do not plan any additional major changes during the next year?

Mr. HARTIGAN. Not at this time; no.

ADJUSTMENTS ON STAR ROUTES

Mr. GARY. You were asking for an increase of $9,988,000 largely for the star routes. What is your present policy and experience with reference to adjustments on star routes?

Mr. HARTIGAN. We have methods for adjusting star routes and they generally fall in the realm of increased taxes put on carriers after the effective date of the contract. Such additional costs prior to the date of the contract are not a factor in deciding to establish a rate adjustment—insurances, increase in wage raises, all effective after the effective date of the contract.

Mr. GARY. The star routes are put out on bid, are they not?

Mr. HARTIGAN. Yes, sir.

Mr. GARY. Then you make a contract with the lowest responsible bidder?

Mr. HARTIGAN. That is correct. In some instances, for example, it is possible within the judgment of the Bureau to grant a 1-year negotiated contract on a new route; but, after the year, before it becomes permanent, we will put it out on bid. We could possibly, or it is conceivable that we could use judgment and have a 1-year contract with a bid.

Mr. GARY. My recollection is that the law then permits you to revise these contracts upward to take care of subsequent mandatory additional expenditures on the star route operators, but you cannot revise them downward. Is that correct?

Mr. HARTIGAN. We have a 30-day cancellation clause in a contract. There are some contracts where they can be adjusted down; yes.

Mr. BATRUS. The law would permit a downward adjustment but we have had very little experience in that regard, Mr. Chairman, simply because historically in the last several years prices have been going up.

Mr. HARTIGAN. We could conceivably come down; yes.

Mr. GARY. What has been your experience in revising them upward? Have you had many upward revisions?

Mr. HARTIGAN. Let me check that. Number of star routes adjusted in fiscal year 1961 was 2,033, total of 18.2 percent of the routes. The percentage of total annual obligation is 1.7. The amount in dollars and cents is $1,316,000 in adjustments in the last fiscal year.

Mr. GARY. For what length of time are these negotiated?

Mr. HARTIGAN. Four years.

Mr. GARY. You found it necessary last year to adjust upward approximately 18 percent?

Mr. HARTIGAN. 18.2 percent of the star routes have been adjusted upward; yes, sir.

Mr. GARY. On what basis were those adjustments made?

Mr. HARTIGAN. Generally on the basis of increase in taxes and wages. Those are the two major categories. We have gasoline tax increases as well.

AIRLIFT—FIRST-CLASS MAIL

Mr. GARY. How much first-class mail is being airlifted and under what conditions?

Mr. HARTIGAN. Answering the last question first, under the same conditions which were in existence under the previous budget because

we have not taken to expanding this particular service at all. The volume is subject to being increased over the existing routes that already have been in effect but we have not changed the policy with reference to lifting it.

In 1961 nonpriority airmail amounted to 5,645,000 pounds. Estimated for 1962 was 5,997,000 pounds. Excuse me, Mr. Chairman. This is in thousands of dollars. The number of pounds is about 78 million.

Mr. GARY. What is the additional cost of that?

Mr. HARTIGAN. There was an increase of $352,000 in 1962 over 1961.

Mr. GARY. How does that cost compare with what it would cost to transport the mail by rail?

Mr. HARTIGAN. The same amount of mail we airlift, what it would cost if we sent it by rail?

Mr. GARY. Yes.

Mr. BATRUS. We do not have that figure here, Mr. Chairman. It is indicated by reports and figures we do have that the total airlift has not contributed anything to our deficit. We do not have the exact figure on the difference in cost. We can supply that for the record.

Mr. HARTIGAN. In other words, take the volume we now airlift and decide how much it would have cost us to send that amount by rail?

Mr. GARY. Yes.

Mr. HARTIGAN. We can do it but we do not have it drawn up. It would take some figuring but we can do it for you.

Mr. GARY. Do you have the basic information without going into too much work?

Mr. CONTE. Perhaps you can give us a per unit cost by air and a per unit cost by rail.

Mr. HARTIGAN. One is by pound and the other is by cube. We can work it out if you wanted to but we cannot do it here now. It can be determined mathematically.

Mr. GARY. See what you can get us up in the way of a table of that kind and give us some information.

Mr. HARTIGAN. We would have to convert pounds back into cubes. There are two different types.

Mr. GARY. Give us what you can on that.

Mr. BATRUS. The question was the cost to us of moving it by surface transportation as against the cost of moving by air?

Mr. HARTIGAN. How much it would cost if we took what we airlift by rail?

Mr. GARY. The difference between normal transportation and airlift. That is all we want. We are trying to get at what the airlift is costing us.

(The information requested follows:)

A study made by our Transportation Research Division in April 1961 is the most recent estimate available of the minimum cost which would be incurred by the Department if surface transportation were used in place of space-available air transportation for first-class mail moving in the airlift over trunkline segments. It is over these trunkline segments that the surface movements would be almost exclusively by rail. The replacement service included not only the use of railway storage cars, but also the use of railway post office cars in which space is provided for en route distribution of first-class mail by postal personnel. Cost involved

in other adjustments which would be required, or cost involved in travel allowance for clerks employed in the RPO cars are not reflected.

The comparison at that time showed that the air cost for the trunkline segments amounted to an estimated $4,902,000 annually, as compared to a replacement cost by surface means of about $4,892,000.

These figures do not include the Alaska, Hawaii, and Puerto Rico airlift, since railroad transportation is not involved.

Mr. HARTIGAN. Once again, there is no deficit in carrying this mail. This much we do know. To determine how much it would cost to take the airlift mail we would have to convert the pounds into cubes and then decide the rate.

Mr. GARY. You get a special rate on that because it is on a space-available basis?

Mr. HARTIGAN. That is right.

RATIO OF SURFACE MAIL TO AIR MAIL

Mr. GARY. What is the ratio of surface mail to airmail by volume excluding the airlift?

Mr. HARTIGAN. Taking just first-class mail?

Mr. GARY. Yes.

Mr. HARTIGAN. In our particular Bureau we deal with the nonlocal mail. This chart will give you some idea of the volume of first-class mail being carried. First-class nonlocal surface mail makes up 49.4 percent of the total piece volume of all classes of mail. However, when you translate this to cubic volume only 5.9 percent is first-class mail, including airlift mail.

Mr. GARY. This is in volume?

Mr. HARTIGAN. Yes. The percentage of airmail would be less than 5.9 percent. We can supply the figure.

Mr. GARY. Please do.

(The information supplied follows:)

Analysis of mail volume, fiscal year 1960

	Thousands of pounds and percent
Total originating nonlocal mail volume	10, 655, 715
Airmail	112, 736
Percent of airmail to total mail	1. 06
Total originating nonlocal mail volume	10, 655, 715
Nonlocal 1st-class mail, excluding airlift	610, 733
Percent of 1st-class mail to total mail	5. 73

Mr. GARY. What has been the trend in this ratio over the past few years?

Mr. HARTIGAN. Airmail is on the increase. I believe they are both on the increase.

Mr. GARY. I know first-class mail is going up.

Mr. HARTIGAN. Air also is going up.

Mr. GARY. Give us some information on that as to the trend.

Mr. BATRUS. Increase in tonnage of airmail is 10 percent which we forecast. Airlift nonpriority mail is 4 percent in volume. This is for 1963. We will supply you the trend for prior years.

(Additional information appears in the table on p. 240.)

MAIL TRANSPORTATION BY BUSES

Mr. GARY. It was mentioned earlier in the hearings you are now using buslines to transport certain types of mail. What volume do you expect to handle in that manner?

Mr. HARTIGAN. Right now the use of the buses is somewhat limited. It is something we have just started doing.

Mr. BATRUS. Our expenditure runs about 2 to 3 million dollars total for the entire Nation.

Mr. HARTIGAN. We are looking seriously into the part that it can play in the distribution of mail.

HIGHWAY POST OFFICES

Mr. GARY. What is the present trend in highway post offices?

Mr. HARTIGAN. At the present time we have 164 highway post offices. Last year we had 170.

Mr. GARY. What is the reason for the decline? Have you found other methods more desirable?

Mr. HARTIGAN. Several factors enter into those discontinuances. One would be the use of sectional centers which allows distribution in an area and eliminates the need for en route distribution. This mail can be carried by truck to the sectional centers faster and cheaper and with better distribution. There is no movement designed to eliminate the highway post offices, however. As these sectional centers become effective and more efficient we review our highway post offices, their efficiency, and their contribution toward delivery of mail, and where it is to the advantage of the postal patrons and the post office to change we do so. There is no program to eliminate them as such.

Mr. GARY. Do you find their service very effective?

Mr. HARTIGAN. There are some areas where we could not get along without it. By the same token, there are also areas where it is feasible for us to take them off.

Where they apply they are very efficient, that is, where there is application for them.

VOLUME AND COST BY MODES OF TRANSPORTATION

Mr. GARY. Can you provide a table showing the volume and cost of railroad mail service over the last 5 years?

Mr. HARTIGAN. I can do it back to 1961 and we can give it to you for 5 years if you wish.

Mr. GARY. Insert a 5-year table at this point.

Mr. HARTIGAN. I can give you 1961 and 1962 and anticipated for 1963 if it will give you an idea.

Mr. GARY. You might give us those figures now.

Mr. HARTIGAN. In fiscal 1961, the actual amount paid to the railroads was $352,454,000.

Estimated in 1962 was $355,412,000. In fiscal 1963 it would be $357,468,000. It has been increasing in the last 3 years.

We shall go back to 1960 and 1959 for the 5 years.

Here is the advantage of having experts. We came up with a chart back to 1959. I can give you 1959.

Mr. GARY. Insert the table in the record.

Can you provide some statistics on air transportation volume and cost for a similar 5-year period?

Mr. HARTIGAN. Yes, sir; and for highway, too.

(The information requested follows:)

Volume and cost by modes of transportation

	1959	1960	1961	Estimate 1962	Estimate 1963
Railroad:					
Millions of car foot-miles	16,883	16,986	16,066	15,962	16,016
Cost (thousands)	$334,799	$342,959	$352,454	$355,412	$357,468
Airmail and airlift:					
Thousands of ton-miles	145,543	163,013	187,359	207,307	227,485
Cost (thousands)	$63,112	$71,227	$77,266	$85,896	$94,838
Highway:					
Thousands of miles	349,913	397,139	416,858	464,186	508,968
Cost (thousands)	$67,044	$76,613	$83,970	$93,325	$103,213

AIRMAIL COSTS AND REVENUES

Mr. GARY. How do the costs compare with the revenues?

Mr. HARTIGAN. Airmail?

Mr. GARY. Yes.

Mr. NICHOLSON. He would not be familiar with the revenue side. The finding on mail carried by air is that we are more than covering our costs by a slight amount. At present our coverage is as follows: 106.3 percent for domestic airmail. That is based on present rates.

ELIMINATION OF RAIL SERVICE

Mr. GARY. Are you using trucks and motor vehicles now to eliminate long runs by rail wherever you can?

Mr. HARTIGAN. We have not designed a program to do that. Once again the Bureau continually reviews the routes we are running, the contracts in effect, and the contracts up for renewal. These are reviewed to find out whether it is feasible costwise and servicewise to continue the same mode of transportation over a particular route.

If it is, we will continue it. If not, we shall look for other means.

Mr. GARY. They had quite a program at one time, I recall distinctly, dealing with mail between points on parallel railroads. When the distance between the point of origin and the point of destination was much shorter than the distance by rail the mail would be transported by truck, thereby eliminating the longer haul.

Are you still following that procedure?

Mr. HARTIGAN. I misinterpreted the use of the word "program." We do this automatically when a contract comes up. This is part of the automatic function of the Bureau when we review contracts for renewal. In the course of checking out the effectiveness of a present contract all this should come to light.

Mr. GARY. It was quite a program at one time because practically all of it was being delivered by rail.

Mr. HARTIGAN. That is right.

Mr. GARY. I have been on this committee for some 15 years and I know they brought that to our attention as a very definite program toward reducing costs in transportation.

I assume now it has become part of your regular operation?

Mr. HARTIGAN. That is right.

Mr. GARY. And you are utilizing the various means of transportation to reduce your costs wherever possible?

Mr. HARTIGAN. That is right. I think you are right. You have perhaps clarified it yourself because it is now part of the program whereas it might have been a project earlier. It has blended itself into the Transportation Bureau now. It is looked on now as a matter of course.

SHORT-HAUL TRUCK SERVICE

Mr. GARY. It is a short-haul truck service?

Mr. HARTIGAN. That is right.

Mr. GARY. When it was first installed it was reported to us as quite an innovation.

Mr. HARTIGAN. Yes, sir; and an effective one.

Mr. GARY. It was an economy measure. I assumed you were still following that practice.

Mr. HARTIGAN. That is right, sir.

EXPANSION OF BUS SERVICE

Mr. PILLION. I believe you have the best wishes of the committee in your new responsibilities. I was interested in your comment concerning the use of bus service. You say you are using bus service at the rate of about $2 million a year?

Mr. HARTIGAN. That is right.

Mr. PILLION. If you expand the bus service that will supplant what other mode of transportation?

Mr. HARTIGAN. It could very well pick up on the expensive short-haul type of star route. In some cases it could pick up in areas where the bus, passengerwise, has supplanted a rail run.

Mr. PILLION. Would it also supplant and take the place of short truck hauls?

Mr. HARTIGAN. Short truck haul would fall under star route carriers.

Mr. PILLION. As I think about it, it appears as though it might have tremendous potential. Perhaps we should give it a great deal more study.

Mr. HARTIGAN. We are studying it very extensively. We want to be careful when we change from one mode to the other. We are giving it extensive study and we are actually using it in areas now.

Mr. GARY. I know of one situation in my district where it proved very effective.

We had a post office which was more or less off by itself. They were using the star route. The way the star route operated they were losing a day in the delivery of the mail.

Mr. PILLION. Referring to the $2 million of bus transportation cost, have you found buses to be quite a saving over other modes?

Mr. HARTIGAN. In areas where we have used them, they have proven to be less expensive and give better service.

Mr. PILLION. Not only less expensive from the standpoint of cents but is there a great potential for a changeover from present means of transportation to bus service?

Mr. HARTIGAN. I do not think it is great.

Mr. BATRUS. The bus service we have been using principally for first-class mail because of the cargo capacity limitations of the bus. It serves us best in that regard, moving first-class mail and other preferential mail between cities, because of the value of bus schedules for this class of mail. It is limited however, by their capacity and also by the number of places where the schedule is the kind of schedule we would need. Growth potential would have to be limited, at least in part, by the capacity of the schedule to carry mail in addition to baggage, express, and passengers.

Mr. PILLION. In other words, you see no great potential which could be exploited or used to cut costs?

Mr. HARTIGAN. There is a great potentiality so far as the bus companies are concerned. They have now devised a kind of hook-on trailer to a bus to carry cargo or mail so they evidently feel there is potential. There is an area where there is research.

MAIL VOLUME

Mr. PILLION. We had a discussion prior to your appearance concerning the question of the expected increase in volume of mail in 1963 over 1962. I note on page 30.1 that your expected increase in water transportation is 5.5 in domestic volume and 1.39 percent in foreign volume along with the 5 percent which you term to be rate adjustments.

How do you arrive at this estimate of increased volume of 5.5 in domestic volume for water transportation?

Mr. HARTIGAN. The same system we would use in developing estimates for our air.

Mr. BATRUS. We take the domestic water operations, which is principally to and from Hawaii, Alaska, and Puerto Rico. The trend in the past several years has indicated this type of percentage increase. It is just about constant. Alaska is a little greater and since Hawaii has become a State it has been greater.

INCREASE IN HIGHWAY TRANSPORTATION COST

Mr. PILLION. Highway transportation shows 8.9-percent increase.

Mr. HARTIGAN. Yes.

Mr. PILLION. That is mostly in star route service. How much of that would be star route service?

Mr. HARTIGAN. In the highway transportation?

Mr. PILLION. Yes.

Mr. HARTIGAN. It would be the lion's share of it. Actually our use of an I.C.C. contract carrier is very scarce as compared to using a star route.

INCREASED SURFACE TRANSPORTATION VOLUME

Mr. PILLION. I would like you to refer, if you will, to page 31.3. This is a table of your percentage increases in volume for what is termed surface transportation, which includes water transportation, highway transportation, and railroad transportation.

On this page the percentage change in volume for these three modes of transportation actual was 1.18. This is in 1959; 1960 actual was 1.77; 1961 actual was 1.5.

I will skip 1962 because that is an estimate.

Then you jump in your estimates of 1963 to 4.67. I merely want to call that to the attention of the committee.

Mr. HARTIGAN. There may be one reason for the increase which we have built into our estimates, and that is a gradual increase on the powerboat situation. The two points we service most began to generate more volume. This is a factor brought into consideration in estimating these increases.

ADEQUACY OF 1962 BUDGET

Mr. PILLION. To go back to page 30.1, your total cost there for operations estimated for 1962 was $579,500,000. Eight million dollars was taken out of this figure. Was it taken out of this year's amount or last year's?

Mr. HARTIGAN. Fiscal 1962.

Mr. PILLION. That is this present fiscal year.

Mr. HARTIGAN. That is right.

Mr. PILLION. Do you anticipate a balanced budget? Can you get along with the amount you have this year?

PIECE VOLUME—CUBIC VOLUME

Mr. HARTIGAN. Yes. We made our estimates using a different system. We have now estimated this budget on a cubic volume instead of a piece volume. This chart we had a few moments ago would indicate that it would be possible to have a decrease in piece volume insofar as the operations department is concerned, for example, where they have to use a piece volume setup. In transportation, however, decrease in piece volume still could mean an increase in the cube volume. We expend our money to carriers on a cube volume. We do not go by piece volume there.

We found it necessary, in checking back through previous budgets before making this up, to apply this particular system. We found overestimates realized in previous budgets could be determined by applying the cube percentage increase rather than the piece percentage.

When we took the piece percentage and translated it into cube volume percentages and found it actually comes very close to representing all of the overages in previous budgets of past years. We found out it was possible to overestimate a transportation budget inasmuch as the operations department was using a piece volume and in transportation we can use only a cube volume because this is how we buy our transportation.

EFFECT OF A POSTAGE RATE INCREASE UPON VOLUME

Mr. PILLION. Perhaps this question belongs to someone else but I will ask it for the record: In the event that this Congress passes a rate increase bill, increasing rates of first-class mail to 5 cents and increasing other rates, there will be no doubt a drop in volume. I do not know historically what that drop might be nor can I give any estimate as to when the drop would come into effect and for how long it would continue.

However, I would like to point out for the record that I assume your estimates of the volume, and the estimates of the volume in the opera-

tions, did not take into consideration the fact that there would be a normal drop in volume based upon increased rates.

How you would speculate or estimate I do not know but I think we should keep that in mind in the consideration of the total appropriation.

Thank you very much, Mr. Hartigan.

Mr. BRAWLEY. If I may add something in connection with the Congressman's remarks, this under ordinary circumstances would take place but the record actually shows that after a rate increase—and there have been several—in 6 out of the 10 last years there have been increases in rates on second-class mail, there is a temporary decrease but shortly it picks up so the line is steadily upward.

Mr. PILLION. Of course, magazine people claim they will all go broke so you will have no second-class mail.

Mr. HARTIGAN. They have been doing that for the last 10 years.

One other point. Records indicate there is a lag time between the effective date of an increase and the announcement of it, and the mail volume built up in that period and it somewhat cut down the diminishing volume.

Mr. PILLION. I realize a great deal is in the realm of speculation.

HELICOPTER MAIL SERVICE

Mr. GARY. One question on my old peeve, helicopter mail. What is the situation on that?

Mr. HARTIGAN. What would you like to know about it?

Mr. GARY. To what extent are you using helicopters now?

Mr. HARTIGAN. Only to the extent we find it is of advantage to the Post Office Department financially and servicewise.

Mr. GARY. You are not required by CAB to use it in any instance?

Mr. HARTIGAN. Not in the least.

Mr. GARY. That was my peeve on it. They had a helicopter service from the roof of the post office in Chicago out to the airfield, and they were required by CAB, which gave the helicopter operator a certificate of public convenience and necessity, to use it. It was costing the post office about $30,000 a year more than it would have cost to transport the mail by truck and the Post Office Department preferred the truck service. I fought it on the principle that the method of transporting mail should be determined by the Postmaster General and not by the CAB.

Mr. HARTIGAN. I think you won. We can use it if we see fit to or not.

Mr. GARY. I have nothing against helicopters. They have very important uses. When they can be used to advantage in the postal service or elsewhere they should be used.

Mr. BRAWLEY. I understand claims are made that helicopters are on the drawing boards and perhaps under production that will be almost as cheap to operate as trucks.

Mr. GARY. I have no objection to using them at all provided you make the decision. I don't want the CAB to set up a service and say you have to use it. That is all I objected to.

Whenever it is more economical, more efficient, and more convenient, and whenever it is more advantageous to use the helicopter, I think by all means it should be done. However, I think the Post

Office Department is the one to determine that and not the Civil Aeronautics Board. I fought for years merely to establish that principle.

(Discussion held off the record.)

CUBIC VOLUME OF MAIL

Mr. BROWN. I would like to emphasize a point you brought up on percentage change in volume. When you refer to page 31.3, and you look at the percentage changes which were read, this has to do with the pieces of nonlocal mail.

If you go two columns to the right of that you will find a percentage change in cubic-foot volume, and you will notice quite a difference when you come down to 1963. You will notice that instead of taking a 4.67-percent increase we converted this to cube and took a 2.9-percent increase. That is all we applied in the cost of transportation.

Mr. PILLION. How does that vary and how accurate is this as against the other?

Mr. BROWN. We feel this gives, from a transportation point of view, since we pay by cubic volume, a much more accurate figure.

If, for example, we had applied the 4.67-percent figure this year, as we did in previous years, our budget would have increased $11,900,000 over what we are now requesting. We have recognized this and tried to clarify the transportation budget.

Mr. PILLION. Thank you for calling my attention to it.

Mr. HARTIGAN. We applied both the cube and the piece volume to see what the differences were.

Mr. GARY. Mr. Conte?

USE OF HELICOPTERS

Mr. CONTE. I am pleased to hear what Mr. Brawley said about helicopters. My section of the country finds itself in a difficult position. First we have no airline service. We have one train a day going through there, and in the wintertime we have a lot of snow which makes it difficult for the star routes to operate, so something such as this might open up a new avenue of mail transportation which will give us better mail service.

Mr. HARTIGAN. This is not in the post office realm but speaking of your area, and having nothing to do with the post office, there is a company which wants to put a chopper service into Massachusetts. It has nothing to do with postal service. It is an express and messenger type of deal.

Mr. CONTE. I hope they go a step further and pick up passengers as well.

Mr. HARTIGAN. Once they make a run such as that they might. It is the first step in opening up better transportation in that part of the State.

Mr. GARY. You do use the helicopter lines from Long Island into New York City to transport some mail, do you not?

Mr. HARTIGAN. Where it is to our advantage, yes.

Mr. GARY. There it is proper.

(Discussion held off the record.)

Mr. CONTE. How does the bus rate for the carrying of mail compare with that of railroads and air?

Mr. BATRUS. We pay on a per-piece basis. On one of our large contracts it is 75 cents a piece, a piece being a pouch, a sack.

Mr. CONTE. Regardless of size?

Mr. BATRUS. And regardless of distance. It is a flat rate determined on the basis of the average haul we will get under the various schedules used and what we consider a fair price compared to what we would have to pay if we moved it by star route trucks or rail, if there were rail service there.

I would say it compares favorably.

Mr. PILLION. Is there a possibility of restudying some of the star routes and working it into the bus angle or are these star routes inherited and continue year after year even though they might have a light volume?

Mr. HARTIGAN. Research and development would look into whether or not we will keep them on or take them off.

Mr. JONES. Your question has two parts. The first involves star routes—as to whether star route contracts are sacrosanct, the answer is "No." For the second part, we look at bus routes for the movement of small quantities of mail where they offer a schedule that will meet the postal service needs. In many of the local areas where we have very light traffic star routes the bus does not operate at the time we desire so we must run auxiliary transportation.

Where we can use an established service, such as a bus, it is cheaper than establishing a separate and independent service, so we would use it. We look at that continually as part of the day-by-day review of transportation operations.

Mr. GARY. Practically all of your bus operations are by special contracts and the rates are fixed to meet the peculiar conditions of that contract. Is that so?

Mr. JONES. That is correct.

Mr. GARY. You do not have an overall general rate for buses as such. It is just a contract arrangement?

Mr. JONES. The bus transportation is a contract arrangement on an area basis. It will cover an area of several States at a fixed rate per piece. It is not nationwide.

Mr. GARY. That is what I meant. You do not have a rate such as you have on railroads. It is subject to negotiation in each individual contract you enter into?

Mr. JONES. That is correct.

Mr. CONTE. For the same distance and the same amount of mail it compares favorably to other modes of transportation?

Mr. JONES. Yes, sir.

Mr. GARY. Otherwise they would not use it.

Mr. CONTE. I want to compliment the Department on this new inovation.

Do they have a separate compartment on the baggage end of the bus for mail separated from the passenger baggage?

Mr. HARTIGAN. Buses have a sizable cargo compartment. They not only carry mail but other cargo besides baggage. That is also becoming quite a business. They have a very acceptable and sizable cargo compartment for a bus.

Once again, there is a space problem with the bus and they are overcoming it with this new trailer attachment. They are more and more themselves going into research of carrying cargo and mail by bus.

Mr. GARY. Off the record.

(Discussion held off the record.)

SAFETY REQUIREMENTS FOR STAR ROUTE CARRIERS

Mr. CONTE. Several years ago we had some adverse experience with some of the star route carriers with regard to safety records. Have you set up any stringent safety requirements?

Mr. HARTIGAN. Have we set them up?

Mr. CONTE. The Post Office Department.

Mr. HARTIGAN. First of all, we contract for the star routes. They are their own companies.

Mr. CONTE. You do not choose them indiscriminately?

Mr. JONES. We now require that all of our star route contractors meet the ICC safety standards.

NEGOTIATED STAR ROUTE CONTRACTS

Mr. CONTE. I was interested in hearing that you negotiate contracts with some of these. Would it not be better to have them on competitive bids?

Mr. HARTIGAN. We are permitted under a 1-year-contract basis to negotiate.

For example, in setting up a star route we could enter into an agreement for a year with a star route contractor for a basis of 1 year.

Mr. CONTE. Would it not be better to put it on competitive bid right off the bat?

Mr. HARTIGAN. As I said before, we could do it that way. For example, we have bid a 1-year contract, a star route contract, to Alaska. It is permissive that you can use it if you think it is feasible to do so. We are not forced to. We have used both even on the 1-year basis.

REVENUE AND COST BY MODES OF TRANSPORTATION

Mr. CONTE. Mr. Nicholson, you mentioned in regard to the airlines that the revenue is about 106 percent of the cost.

Mr. NICHOLSON. Yes, sir.

Mr. CONTE. How about the railroads?

Mr. NICHOLSON. It is not possible to separate out the revenue and the cost for railroads by our cost-ascertainment process. A mix of mail would be carried by the railroads—first-, second-, third-, and fourth-class mail. The only cost figures rendered by our cost-ascertainment process are organized by class of mail rather than by mode of transportation except in the case of airmail. The only answer I can give you is in connection with air transportation.

Mr. CONTE. Do you think it is a favorable balance in regard to railroads? You should have some idea whether you are losing or making money.

Mr. NICHOLSON. We know at present rates we do not cover costs on these classes of mail. First-class mail is 98 percent cost recovery, second and third class are substantially below cost recovery, and fourth-class mail at the moment, pending ICC consent to new rates,

is below cost recovery. We can say with certainty that whatever mode of transportation we use, including railroads, revenues do not cover the costs.

Mr. CONTE. Do we carry second- and third-class mail by air?

Mr. NICHOLSON. No.

Mr. PILLION. Would the gentleman yield for a moment?

Mr. CONTE. Yes.

ALASKA WATER ROUTE CONTRACT NEGOTIATION

Mr. PILLION. Congressman Tom Pelly, of Washington, complained to me once or twice about a matter—I do not have the facts here—but it pertains to a question of a contract for water transportation in Alaska. I think there was someone in his district or his State who had attempted to bid on a contract for water navigation in Alaska. He seemed to think that the Post Office Department had maneuvered the negotiations or let the contract in an unfair way to his constituent. I wonder if there is anyone here who might be familar with that.

Mr. HARTIGAN. It sure does. It rings a gong. No. 1, I do not think Congressman Pelly as such indicated that there was some maneuvering in the Post Office. I think somebody told him they thought there was and he asked us to review it.

Mr. PILLION. It was hearsay.

Mr. HARTIGAN. I received that case very shortly after being appointed and asked that the entire case be reviewed.

Mr. GARY. It seems to me I sent it to you. I think he took it up with me and I sent it to you.

Mr. HARTIGAN. Yes. I asked indulgence so we could review the whole matter, having just taken over 2 days before. We reviewed it. A very short time ago, after reviewing the entire case, Seward to Nikolski, Alaska, after reviewing the entire case and the pros and the cons, No. 1, this particular contract was negotiated, not bid. It was negotiated under permissive legislation that allows a contract with no major changes to be negotiated, if the Department so wishes, on star routes after 4 years, renewal without any major changes.

In this case this was a renewal on Nikolski. I reviewed the case, having come into it fresh, and after reading both sides intensively, I wrote to Congressman Pelly and explained that it boiled down to a pro-and-con situation as to whether we should have bid it or negotiated it. Both sides presented a great deal of merit to their side of the case. Bearing in mind that reading through these letters, the losing contractor certainly would never be convinced that we should never have bid it, and the winning contractor will always be happy it was bid, I looked for irregularities or for anything other than a proper procedure being used in coming to the conclusion they came to.

There was merit for negotiating the contract. The service being performed by the particular carrier was excellent. His performance rating was good. He was reliable. They had no reason to feel the Post Office would be any the worse for its being negotiated. My personal view, which I expressed to the staff at the time, was that I would have personally bid it, but I still saw nothing irregular about negotiating it. Maybe I was more timid in that I would not have had a headache at the end, but I would have bid it. There were no irregularities found, and I wrote Congressman Pelly as such.

However, in reviewing this case another point came up. I mentioned this to Congressman Pelly. It was the wisdom of using this to start with. This was revealed in going through the files. As of this moment, I doubt seriously if it should be continued if we find any other means of delivering this mail, because we found out that so few people—I forget the number—it was remarkably small, so few people that mail was being delivered to, that it possibly is a case where helicopter service could deliver it much cheaper and eliminate the use of the boat entirely. These were my findings, which were sent to Congressman Pelly very recently, in fact, in the past 2 weeks.

I explained that further investigation was going along in regard to eliminating the boat completely. We found no irregularities, and looking at it from an outsider's point of view, not biased, it was a case of whether we should or should not have negotiated.

Mr. PILLION. Was there a possibility of an offer, or if it were placed on a bid basis, that there would have been a substantial saving in costs?

Mr. HARTIGAN. There is always a possibility, after something is negotiated, for John Jones to say, "I could have done it cheaper." We find that historically to be a fact.

Mr. PILLION. Would it be possible if you found an alternate and cheaper method of transportation, would it be possible to discontinue the present contract?

Mr. HARTIGAN. Yes. We have a 30-day cancellation clause.

Mr. PILLION. You are keeping this in mind?

Mr. HARTIGAN. We have gone a step further, as a matter of fact. After reviewing it, it has become my personal opinion that we should look into the feasibility of keeping it going as such. I question very seriously if this is the way we should deliver mail to the chains in Alaska. It has opened up another approach to the thing.

Mr. PILLION. Thank you.

TRANSPORTATION COST INCREASE

Mr. CONTE. I have just one more question. It seems to me, Mr. Hartigan, that we are increasing our highway transportation by close to $10 million. At the same time you are increasing your railroad service charges by $2 million. There is no rate increase in either one. It would seem to me if you are increasing highway transportation, you should be decreasing either your railroad or airline transportation. Here they are all increasing at the same time.

Mr. HARTIGAN. The volumes are also increasing.

Mr. CONTE. They seem to be increasing much more than the volume. $10 million is an increase of 8.9 percent.

Mr. HARTIGAN. What was that, again?

Mr. CONTE. An increase of 8.9 percent where volume predictions are 4.9 percent.

Mr. HARTIGAN. That is right. It increased in tonnage.

Mr. CONTE. On the highway transportation.

Mr. HARTIGAN. Mainly due to increase in star route services.

Mr. CONTE. That is my point. If you are increasing your star route services, you should be decreasing some other mode of transportation.

Mr. HARTIGAN. The increase in star route services is generally the result of action initiated by the railroads themselves if it is a switch from rail to highway in discontinuance of trains. Usually this discontinuance is over a very light volume area. The increase in the highway will still go up, but in the train it will go down. These are the reasons for the increase in the highway, and also then using the major run of a train more effectively, their volume is going up, it is still going up. You could have possibly what appears to be a discrepancy, but it is not.

Mr. PILLION. In other words, your railroad will increase less than a normal rate?

Mr. HARTIGAN. Yes; yet because they have discontinued some nonpaying services, it has to go onto the highway.

Mr. CONTE. Thank you.

Mr. GARY. Thank you, gentlemen. This concludes the hearings for today. We will meet tomorrow morning at 10 o'clock when we will consider the estimates for facilities.

THURSDAY, JANUARY 18, 1962.

FACILITIES

WITNESSES

SIDNEY W. BISHOP, ACTING ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES
JAMES H. BLUNDELL, DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES
CONRAD L. TRAHERN, ACTING DIRECTOR, PROCUREMENT DIVISION, BUREAU OF FACILITIES
CHARLES A. DIEMAN, ACTING DIRECTOR, MAINTENANCE DIVISION, BUREAU OF FACILITIES
JOSEPH P. DOHERTY, SPECIAL ASSISTANT TO THE ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES
LEWIS J. CRAVEN, FINANCIAL CONTROL OFFICER, BUREAU OF FACILITIES
ROBERT H. BRINKMEYER, ASSISTANT FINANCIAL CONTROL OFFICER, BUREAU OF FACILITIES
EDWARD E. HARRIMAN, DIRECTOR, OFFICE OF RESEARCH AND ENGINEERING
AUGUST C. HAHN, DEPUTY ASSISTANT POSTMASTER GENERAL, BUREAU OF OPERATIONS
LOUIS J. DOYLE, GENERAL COUNSEL

Object classification

[In thousands of dollars]

		1961 actual	1962 estimate	1963 estimate
11	Personnal compensation:			
	Permanent positions	6,865	7,079	7,149
	Other personnel compensation	207	188	189
	Total personnel compensation	7,072	7,267	7,338
12	Personnel benefits	546	552	573
21	Travel and transportation of persons	28	31	34
22	Transportation of things	1,443	1,450	1,525
23	Rent, communications, and utilities	80,842	96,115	108,817
24	Printing and reproduction	5,004	5,050	5,260
25	Other services	4,023	4,640	5,409
26	Supplies and materials	34,938	35,113	36,904
32	Lands and structures	2,331	2,240	11,140
	Total obligations	136,227	152,458	177,000

Personnel summary

	1961 actual	1962 estimate	1963 estimate
Total number of permanent positions	1,393	1,438	1,432
Average number of all employees	1,405	1,433	1,437
Number of employees at end of year	1,393	1,438	1,432
Average postal field service level	4.5	4.5	4.5
Average postal field service salary	$5,459	$5,488	$5,531

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Building occupancy (obligations)	84,714	100,395	122,137
(Funded operating costs)	(82,413)	(98,155)	(110,997)
(Funded capital outlay)	(6,885)	(1,980)	(10,800)
(Changes in resources on order)	(−4,763)		
(Change in lease purchase liability to be funded)	(179)	(260)	(340)
2. Supplies and services (obligations)	51,513	52,063	54,860
(Funded operating costs)	(44,259)	(48,149)	(49,360)
(Funded capital outlay)	(5,746)	(4,900)	(4,500)
(Changes in resources on order)	(1,624)		
(Changes in inventory)	(−116)	(−986)	(1,000)
3. Employees' compensation fund (obligations)			3
(Operating costs to be funded)	(10)	(16)	(16)
(Changes in workmen's compensation liability to be funded)	(−10)	(−16)	(−13)
Total program obligations	136,227	152,458	177,000
(Total funded operating costs)	(126,682)	(146,320)	(160,373)
(Total funded capital outlay)	(12,631)	(6,880)	(15,300)
(Total change in resources, etc., net)	(−3,086)	(−742)	(1,327)
Financing: Unobligated balance lapsing	1,553		
New authority	137,780	152,458	177,000
New authority:			
Appropriation	168,578	152,500	177,000
Transferred to "Modernization and improvement of buildings and equipment"	−30,898		
"Operating expenses, Public Buildings Service," General Services Administration (75 Stat. 353)		−42	
Transferred from "Operations"	100		
Appropriation (adjusted)	137,780	152,458	177,000

Mr. GARY. The committee will come to order.

This morning we will take up the appropriations for "Facilities for the Post Office Department." The appropriation for this item in 1962 was $152,500,000. The estimate for 1963 is $177 million, an increase over 1962 of $24,500,000.

JUSTIFICATION OF THE ESTIMATE

We will insert at this point in the record pages 40.1 through 40.2, 41.1 through 41.3, 42.1 through 42.3, and 43.1 through 43.4.

(The pages follow:)

Statement relating 1961, 1962, and 1963 programs

[In thousands]

1961 program (obligations incurred)	$136,227
FISCAL YEAR 1962	
Increase or decrease due to—	
Rent program	11,728
Fuel and utilities	3,573
Communications	422
Custodial and postal supplies and services	786
Mail bag repair centers, depositories, and mail equipment shop	−925
Stamps and accountable paper	443
Printing and reproduction	46
Field personnel	207
Awards and training	−7
Total	16,273
1962 program (estimated obligations)	152,500
FISCAL YEAR 1963	
Increase or decrease due to—	
Rent program	17,370
Fuel and utilities	3,865
Communications	465
Custodial and postal supplies and services	3,457
Mail equipment shop	−782
Stamps and accountable paper	−180
Printing and reproduction	210
Field personnel	92
Employees' compensation fund	3
Total	24,500
1963 program (estimated obligations)	177,000

Analysis of estimated increase or decrease (−) in obligations, 1961–63

[Dollars in thousands]

Activity and account	1961 actual	1962 estimate	Increase or decrease (−)		1963 estimate	Increase or decrease (−)	
			Amount	Percent		Amount	Percent
Average number of positions	1,405	1,433	28	2.0	1,437	4	0.3
Building occupancy:							
Rent program	$58,307	$70,035	$11,728	20.1	$87,405	$17,370	24.8
Fuel and utilities	22,034	25,607	3,573	16.2	29,472	3,865	15.1
Communications	4,373	4,795	422	9.7	5,260	465	9.7
Subtotal	84,714	100,437	15,723	18.6	122,137	21,700	21.6
Supplies and services:							
Custodial and postal supplies and services	23,858	24,644	786	3.3	28,101	3,457	14.0
Mail bag repair centers, depositories, and mail equipment shop	5,944	5,019	−925	−15.6	4,237	−782	−15.6
Stamps and accountable paper	9,057	9,500	443	4.9	9,320	−180	−1.9
Printing and reproduction	5,004	5,050	46	.9	5,260	210	4.2
Subtotal	43,863	44,213	350	.8	46,918	2,705	6.1
Facilities field personnel	7,643	7,850	207	2.7	7,942	92	1.2
Awards and training	7		−7				
Employees compensation fund					3	3	
Total facilities	136,227	152,500	16,273	11.9	177,000	24,500	16.1
Total increase over prior year	13,577	16,273			24,500		

KANSAS STATE UNIVERSITY LIBRARY
MAR 5 1962
MANHATTAN, KANSAS

Building occupancy, increase $21,700,000—Analysis of obligations

[In thousands]

Item	1961 actual	1962 estimate	Increase or decrease (−)	1963 estimate	Increase or decrease (−)
Rent program:					
Rents and leases	$55,386	$66,930	$11,544	$75,400	$8,470
Capitalized rental costs	860	1,060	200	1,140	80
Payments to other Government agencies	590	865	275	865	
Net reimbursable site acquisition	1,471	1,180	−291	10,000	8,820
Total rent program	58,307	70,035	11,728	87,405	17,370
Fuel:					
Freight and drayage	447	425	−22	400	−25
Coal analysis (Bureau of Mines)	1	2	1	2	
Metered fuel	3,098	3,380	282	3,700	320
Solid and liquid fuel	3,056	3,350	294	3,490	140
Total fuel	6,602	7,157	555	7,592	435
Utilities: Electricity, water, and sewer service	15,432	18,450	3,018	21,880	3,430
Communications	4,373	4,795	422	5,260	465
Net obligations	84,714	100,437	15,723	122,137	21,700
Total increase over prior year	9,321	15,723		21,700	
Percent increase over prior year	12.4	18.6		21.6	

JUSTIFICATION

Service provided.—This activity includes rental payments for leased postal facilities, costs of fuel, electricity, communications, and other utilities for leased facilities and for Government-owned facilities controlled by the Post Office Department. Over 25,000 leased quarters are occupied by postal facilities, and about 3000 Federal buildings are under Department control. The account also includes acquisition and resale of sites under the commercial leasing program, lump-sum payments, improvements to leased buildings, and installments on lease-purchase contracts.

Basis for the estimate.—Estimates for rents, fuel, and utilities are based on the average space to be occupied in fiscal years 1962 and 1963.

Program for 1963

Rents, increase $17,370,000.—Increase over 1962.

Rents and leases	$8,470,000
Capitalized rental cost	80,000
Reimbursable site acquisitions (net)	8,820,000
Total	17,370,000

Rents and leases, increase $8,470,000.—Departmental policy formerly emphasized replacement of expiring leases with newly constructed buildings, and also the replacement of many month-to-month rental agreements with new buildings. Delay in construction of badly needed larger facilities resulted. The new policy places emphasis on construction of the larger facilities where more substantial results in terms of better service are expected. It is estimated that agreements to lease new or remodeled buildings will drop from over 2,000 in 1961 to about 1,000 in each of 1962 and 1963.

About 50 large mechanized leased facilities are in the design or construction stage of which 5 will probably be occupied in 1962 and 9 in 1963. The main impact of occupancy costs will fall in 1964 and following years. It is estimated that 100 of the approximate 1,000 new or remodeled buildings will replace existing Federal buildings which will be abandoned in whole or in part. The buildings abandoned will be those which cannot be economically improved or adapted to meet our current needs, principally because of age, architectural design or space limitations.

It is inevitable that our rental requirements will continue to increase. Space requirements to handle our rapidly increasing mail volume continue to be a major factor in the overall increase. Another factor is the current need for about twice as much exterior space as interior space because of increased use of highway transportation.

We are attempting to reduce the impact of higher construction costs by providing standard designs for smaller buildings. These designs permit the builder, usually the lessor, to construct an adequate building without elaborate costly features which only add to costs without a corresponding service benefit.

Capitalized rental cost, increase $80,000.—This increase is the additional equity in the lease purchase buildings which will accrue to the Department out of the payment of rent on these buildings. Although the amount of the equity payments on these contracts increases, there is a corresponding decrease in the amount charged to the rent expense account for interest.

Reimbursable site acquisition cost, increase $8,820,000.—This program provides for the acquisition and ultimate resale of sites for the construction of leased postal facilities and payment for architect-engineering fees for the design of such buildings. The program for 1962 was intended to be financed out of reimbursements from projects which had been awarded plus $1 million of appropriated funds which was programed. Reimbursements are being received at a lower rate than had been anticipated. The excess of requirements over expected reimbursements will keep the program from being self-sustaining in 1963. In order to realistically carry the program forward, a sum of $10 million in addition to anticipated reimbursements is required. It was previously anticipated that this program would be self-sustaining in 1963 and develop a surplus in 1964. We now anticipate that it will be 1965 before a surplus is available.

Fuel and utilities, increase $3,865,000.—Fuel costs are related to space occupied in leased buildings and in Federal buildings under Post Office Department control. There is only a nominal increase in this category. Utility costs (primarily light and power) now reflect the increased use of air conditioning, as well as power for the operation of mechanized facilities.

Communications, increase $465,000.—This increase is directly related to the increased space occupied and the justification by some of our smaller offices for telephones. While the major portion of this is telephone service, telegraph and teletypewriter service are also included.

Supplies and services, increase $2,705,000—Analysis of Obligations

[In thousands]

Item	1961 actual	1962 estimate	Increase or decreased (−)	1963 estimate	Increase or decrease (−)
Custodial and postal supplies and services:					
Freight	$980	$1,000	$20	$1,100	$100
Rental of equipment	2,553	2,602	49	2,577	−25
Buildings management and other services	3,425	3,770	345	4,539	769
Custodial and postal supplies	16,900	17,272	372	19,885	2,613
Total custodial and postal supplies and services	23,858	24,644	786	28,101	3,457
Mail bag repair centers, depositories, and mail equipment shop	5,944	5,019	−925	4,237	−782
Stamps and accountable paper	9,057	9,500	443	9,320	−180
Printing and reproduction	5,004	5,050	46	5,260	210
Net obligations	43,863	44,213	350	46,918	2,705
Total increase over prior year	3,533	350	----------	2,705	----------
Percent increase over prior year	8.8	.8	----------	6.1	----------

JUSTIFICATION

Services provided.—All items of supplies and services for maintenance of buildings and operation of post offices, including stamps, other accountable paper, printing, and raw materials for the manufacturing and repair activities of mail equipment shop and mailbag repair units are provided in this activity.

Basis of estimate.—The principal basis is the trend of obligations or costs over the past several years, modified by known program changes.

Program for 1963

Custodial and postal supplies and services, increase $3,457,000—(a) Freight, increase $100,000.—This account includes the cost of freight for supplies and shipments of supplies from area supply centers to the larger post offices. The increase is related to the normal increase in procurement.

(b) *Rental of data processing and other equipment, decrease $25,000.*—This decrease reflects the initial savings in equipment rental that will accrue from the transfer of the money order processing from Kansas City to Washington, which transfer will be completed in 1964.

(c) *Buildings management and other services, increase $769,000.*—Building management services, including inspection and regulation of air-conditioning and automatic heat systems, account for over 48 percent of the increase. An expanded safety program accounts for another 26 percent. This program is necessary due to the increased mechanization of the postal plant. The balance of the increase is related to local repairs and services, and contract technical services for vehicles.

(d) *Custodial and postal supplies, increase $2,613,000.*—The percentage increase in this activity does not accurately portray existing trends. Because of the administration's accelerated procurement program initiated in February 1961, goods on order for the supply centers were $1.8 million greater than at the end of the previous fiscal year.

A major factor in increased requirements in 1963 is the necessity for maintaining more stocks of expendable parts for mechanization as this program grows.

Mailbag repair centers, depositories, and mail equipment shop, decrease $782,000.—The reduction in this category reflects our efforts to actively control inventory levels of mailbags. The number of bags which can be repaired and returned to service has also increased. Close attention to these two aspects of the mailbag program has enabled us to reduce our requirements for new bags. This is reflected in the reduction of mailbag purchases and raw materials.

Stamps and accountable paper, decrease $180,000.—This reduction is in stamp requirements; it reflects a return to normal production requirements of about 24 billion stamps per year.

Printing and reproduction, increase $210,000.—The majority of this increase ($175,000) relates to postal forms and other items of printing procured from the Government Printing Office. This increase is related to growth of the service with a slight increase in requirements for publications. The remainder of this increase is attributed to normal increased requirements for punched cards ($10,000) and printing of postal transportation schedules ($25,000).

Facilities field personnel, increase $92,000—Analysis of obligations

Item	1961 actual	1962 estimate	Increase or decrease (−) due to—		1963 estimate	Increase or decrease (−) due to—		
			Mandatory items	Other costs		Mandatory items	Other costs	Total
Average number of positions	1,405	1,433	----	28	1,437	----	4	4
Average compensation	$5,033	$5,071	----	----	$5,106	----	----	$35
	In thousands							
Personnel compensation:								
Productive employment	$5,918	$6,061	$70	$73	$6,116	$44	$11	$55
Paid absences	1,106	1,157	22	29	1,172	11	4	15
Night-work differential	48	49	----	1	50	----	1	1
Total, personnel compensation (11)	7,072	7,267	92	103	7,338	55	16	71
Personnel benefits:								
Health insurance	74	78	2	2	78	----	----	----
Group life insurance	24	24	----	----	25	1	----	1
Retirement fund contribution	443	448	----	5	465	16	1	17
Social security tax	2	2	----	----	2	----	----	----
Total, personnel benefits (12)	543	552	2	7	570	17	1	18
Other costs: Travel (21)	28	31	1	2	34	3	----	3
Total obligations	7,643	7,850	95	112	7,942	75	17	92
Total increase over prior year	722	207	----	----	92	----	----	----
Percent increase over prior year	10.4	2.7	----	----	1.2	----	----	----

JUSTIFICATION

Service provided.—In carrying out its responsibility for the operation of the supply system including the production, storage, and repair of locks, keys, and mailbags as well as the design and production of the various types of maps required in the postal service, the Bureau of Facilities operates a system of branch or area service organizations under the direction of the headquarters at Washington. This estimate provides funds for salaries, travel, and related costs of field personnel assigned to these organizations. The organizations are as follows:

	Positions
Supply centers: Belle Mead, N.J., Chicago, Ill., Topeka, Kans., and Washington, D.C.	256
Capital equipment warehouses: Atlanta, Ga., Belle Mead, N.J., Boston, Mass., Chicago, Ill., Topeka, Kans., Oakland, Calif., and Washington, D.C.	54
Mailbag repair centers and depositories: Atlanta, Ga.,[1] Boston, Mass., Buffalo, N.Y., Chicago, Ill.,[1] Cincinnati, Ohio,[1] Denver, Colo., Edgewater, N.J. (to be activated in fiscal year 1963), Kansas City, Mo., Los Angeles, Calif., New York, N.Y.,[1] Oakland, Calif., Philadelphia, Pa.,[1] Pittsburgh, Pa., St. Louis, Mo.,[1] St. Paul, Minn., Seattle, Wash., and Washington, D.C.	836
U.S. Postal Agency, Washington, D.C.	3
U.S. Envelope Agency, Dayton, Ohio	12
Mail equipment shop and cartography section, Washington, D.C.	268
Equipment and supplies examiners, Washington, D.C.	3
Total positions	1,432

[1] Includes repair of mailbags by sewing as well as heat seal.

Basis for the estimate.—The estimate for this activity for 1963 amounts to $7,942,000, an increase of $92,000. $75,000 of the $92,000 increase is attributable to mandatory items such as automatic salary increases, terminal and other leave, and the increases in the cost of fringe benefits and travel per diem. Actual productive man-years increase only three, which accounts for most of the balance of this increase.

Capital equipment warehouses.—The capital equipment warehouses, established at the beginning of 1959, provide facilities for supplying workroom furniture and certain other equipment to new and remodeled mail-handling facilities.

Supply centers.—Supply centers are an integral part of the supply system and provide a practical and economical field organization and limited warehousing facilities in strategic locations for procurement and distribution of postal and building supplies and equipment. Practically all of the building and postal supplies issued to postal installations are stocked.

Mailbag repair centers and depositories.—These organizations are responsible for the repair, warehousing, and distribution of mailbags.

Cartography.—The cartography section produces various types of maps required in the postal service, including domestic airmail maps, State study maps, rural delivery maps, post route maps, and overlays of State highway maps.

U.S. Postal Agency.—This organization is responsible for the bulk distribution of money orders, Treasury checks, international reply coupons, postal savings certificates, air letter sheets, international postal cards, and for maintaining the accounting records for these items.

U.S. Stamped Envelope Agency.—This organization is responsible for the inspection, temporary storage, shipment, and accounting for prestamped envelopes.

Equipment and supplies examiners.—There are three positions for equipment and supplies examiners who are responsible for the inspection of material and supplies at the point of manufacture to determine compliance with terms of specifications, packing, and shipping. Other supply and inspection functions are performed as required.

Mail equipment shop.—The mail equipment shop is engaged in the design, manufacture, and repair of mailbags, locks, keys, and other special postal equipment.

The mail equipment shop will resume the manufacture of "LA" locks in 1962, for which requisitions have been supplied from inventory since fiscal year 1957. Approximately 1 million will be produced in 1962 and 1,250,000 in 1963. This new production requires an additional 24 employees in 1962 which will be reduced 6 positions through attrition in 1963.

Program for 1963.—Except at the mail equipment shop, the program will be administered throughout the field organization without significant change.

Mr. GARY. We are pleased to have with us this morning Mr. Sidney W. Bishop, Acting Assistant Postmaster General, Bureau of Facilities.

We will be glad to hear from you at the present time, Mr. Bishop.

Mr. STEED. Mr. Chairman, would you grant me a personal indulgence?

Mr. GARY. Certainly, Mr. Steed.

Mr. STEED. I would like to call the committee's attention to the fact that Mr. Trahern is a constituent of mine. His folks live in my district. I have known him for many years. He is a former member of the FBI. I want to extend him a personal welcome here for old time's sake.

Mr. GARY. We are very glad indeed to have Mr. Trahern with us and since this is his first appearance we will ask him to file a brief biography, in accordance with the custom of the committee.

Are there any others that are appearing before the committee for the first time from which we should have a biography?

Mr. BISHOP. Mr. Chairman, almost all of the top staff of the Bureau of Facilities who appear here this morning are here for the first time. Perhaps I could point them out individually so that you will recognize them.

Mr. GARY. I think it would be very nice if you would do that.

Mr. BISHOP. Mr. Blundell sits just to the left of the reporter. You know Mr. Harriman. You know Mr. Doherty, my special assistant; Mr. Dennis Jensen, Acting Director, Realty Division; Mr. Charles Dieman, Acting Director, of the Maintenance Division. You know Mr. Thomason. Mr. Lewis Craven, financial management officer, is here. You know Mr. Brinkmeyer from previous appearances. This is Mr. Trahern, who has just been so glowingly described, and that is all of the new top staff of the Bureau of Facilities.

Mr. PILLION. I think it is more important, Mr. Chairman, with relation to the gentleman from Oklahoma to have him realize that he is well represented here in Congress.

Mr. GARY. We can all attest that fact, I assure you, sir. We all have great admiration and respect for Mr. Trahern's Representative.

BIOGRAPHIES OF THE WITNESSES

You will put in brief biographies of these gentlemen?

Mr. BISHOP. We will be happy to do so, Mr. Chairman.

(The biographical sketches follow:)

BIOGRAPHY OF SIDNEY W. BISHOP, ACTING ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES

Sidney W. Bishop was born and raised in Denver, Colo. He attended Denver schools, and upon graduation from high school entered the U.S. Navy in 1944. He served in the Pacific until 1946.

Bishop was graduated with honors from Regis College, Denver, Colo., in 1949 and in 1950 from Westminster Law School, now part of the University of Denver. He has done graduate work in the Law School of the University of Southern California. He was associated with a Denver law firm until he started his own law practice at Cheyenne Wells, Colo. Along with a general civil practice, he

prosecuted criminal cases as deputy district attorney for 6 years. In late 1956, he became associated with the Prudential Insurance Co. of America and was assistant counsel in that company's law department in Los Angeles until he joined the staff of Postmaster General Day. He became Acting Assistant Postmaster General, Bureau of Facilities, in July 1961.

He is a member of the American Bar Association, the Colorado bar, and the State bar of California. Long active in civic and fraternal affairs, he has been an officer in his Veterans of Foreign Wars post, the Lions Club, Knights of Columbus, chamber of commerce, and he has served on the board of directors of the Colorado State Chamber of Commerce and has been a city councilman.

In 1947, he married the former Betty Lou Dolan, of Denver. Mr. and Mrs. Bishop have six daughters and two sons. The Bishops reside at 9030 Old Georgetown Road, Bethesda, Md.

Biography of James H. Blundell

James H. Blundell, 49, native Texan, resident of Dallas. Consultant to management on public relations for 15 years prior to coming to Post Office.

Attended Baylor University, majoring in law and government. Member, Public Relations Society of America, Sigma Delta Chi, professional journalism society, and Dallas Press Club.

Married, three daughters, one granddaughter.

Biography of Conrad L. Trahern

Residence: 13011 Narada Street, Rockville, Md.

Born: December 13, 1925, Wilson, Okla.

Education: East Central State College, Ada, Okla.; Oklahoma University, Norman, Okla.

Married: September 9, 1950, Wanda Jeane Lollar.

Children: Regina Lou, born, January 29, 1957; Lori Ann, born, October 11, 1959; Conrad Leroy, Jr., born, November 9, 1961 (all Washington, D.C.).

1949–50: Football, basketball coach, Haskell High School, Haskell, Okla.

1951–61: Special agent, Federal Bureau of Investigation, Department of Justice.

From April 1961 to present: Special assistant to the Deputy Postmaster General and to the Postmaster General, U.S. Post Office. Also from July 17, 1961, to present, Acting Director, Procurement Division, Bureau of Facilities, U.S. Post Office Department.

Associations: First Methodist Church, Ada, Okla.; Justice Lodge No. 46, F.A.A.M.

Biography of Joseph P. Doherty

Residence: 14209 Chadwick Lane, Rockville, Md.

Born: August 13, 1935.

Education: U.S. Naval Academy, Annapolis, Md.; B.S. post graduate political science, Catholic University of America.

Married: June 8, 1957, to Rebecca Ruth Farnsworth.

Children: Shawn Louise Doherty, born, November 21, 1959.

1957–60: U.S. Air Force, Office of Special Investigations, special agent.

January to March 1961: Consultant, National Association of Letter Carriers.

March to September 1961: Confidential assistant, Deputy Postmaster General, Post Office Department.

September 1961 to present: Director, Office of Staff Assistance, and special assistant to the Assistant Postmaster General, Bureau of Facilities, Post Office Department.

Associations: St. Peters Roman Catholic Church, Olney, Md.; Veterans of Foreign Wars; Fraternal Order of Eagles.

Biography of Dennis A. Jensen, Acting Director, Realty Division, Bureau of Facilities

Dennis A. Jensen was born May 31, 1925, in Wakonda, S. Dak. He attended grade and high school at Centerville, S. Dak. Upon graduation from high school in 1943, he entered the U.S. Maritime Service and served in the merchant marine until the fall of 1946. Following his discharge from the merchant marine, he enrolled at the University of South Dakota but left to go into business for himself. He owned and operated several businesses including a motion picture theater, an electrical contracting firm, and a plumbing, heating, and hardware firm, until 1955. He served as vice president and general manager of several mining corporations which he founded and organized in 1955–56. In 1956 he became executive secretary of the South Dakota Democratic Party and served in that capacity until 1959 when he became finance director of the Democratic National Committee. He joined the Post Office Department in July 1961.

Jensen has been active in the Lions, Kiwanis, Toastmasters, and other service clubs, is a member of the B.P.O.E. and has worked with the Boy Scouts, March of Dimes, and other similar organizations.

He is married to the former Roberta Tilley of Spencer, S. Dak. They have four children—Steven, 12; Kristen, 8; Susan, 6, and Jay, 2½. They reside at 11702 Ibsen Drive, Rockville, Md.

Biography of Charles A. Dieman

Mr. Dieman was born in Green Bay, Wis. on November 13, 1914. He attended high school in Fond du Lac, Wis., and was graduated from the university in 1940 with a B.S. degree in mechanical engineering. During his college years he also performed 2 years of field work in engineering time studies.

After graduation he moved to Baltimore, Md., and later Chicago, Ill., and became associated with Montgomery Ward as an industrial engineer. For a year prior to entering military service in 1944, he conducted management engineering studies for a Chicago firm.

Mr. Dieman was honorably discharged as an officer from the U.S. Navy in 1946, and entered the Federal career service the same year as an industrial engineer with the Naval Research Laboratory. He has since been associated with the Naval Ordnance Test Station and the Bureau of Standards. He joined the Post Office Department after serving as Director of Operations in the Public Buildings Service of the General Services Administration.

He is married to the former Mary Catherine Rehorst of Fond du Lac, Wis., and is the father of one son and four daughters. He resides in Bethesda, Md.

Biography of Lewis H. Craven, Financial Control Officer, Bureau of Facilities

Lewis H. Craven was born November 11, 1906, in Seattle, Wash. He attended public schools in Washington, D.C., graduated with honors from the Wharton School of Finance and Commerce, University of Pennsylvania, received a law degree from National University Law School and is a member of the District of Columbia bar.

He was employed as a statistician with an investment firm from 1928 to 1931 and entered Government service in 1932. He worked as an accountant and bank examiner with the Farm Credit Administration from 1932 until 1941 and audited contracts for the Navy Department from 1941 until mid-1942.

During World War II he served 4 years with the Air Transport Command, his last duty assignment being Chief Budget and Fiscal Officer of that Command. He was relieved from active duty as a lieutenant colonel and is now a colonel in the U.S. Air Force Reserve.

He was a budget examiner in the Office of the Secretary of the Navy from 1946 to 1948 and an investigator with the Office of Special Investigations (IG) U.S. Air Force in 1949. From that date until 1955, Mr. Craven was a budget examiner with the Bureau of the Budget and from 1955 to the end of 1961, budget officer for the Washington region, Post Office Department.

In 1938 Mr. Craven married Mary Chase Leake of Washington, D.C., and has three children, Thomas 20, Philip 18, and Elizabeth 14. The family lives at 5308 Blackistone Road, Westmoreland Hills, Md.

Mr. GARY. All right, we will hear from you at the present time, Mr. Bishop.

Mr. BISHOP. Mr. Chairman, I have no formal opening statement. It is a privilege for me to appear before this committee, as it is for the new members of the top staff of the Bureau of Facilities. We realize that we are off to a late start this morning so I will make no further opening remarks.

INCREASES REQUESTED FOR 1963

Mr. GARY. I wish you would give us the reason for this increase of $24,500,000 over 1962 appropriations.

RENT PROGRAM

Mr. BISHOP. I would be very happy to do so.

I would like to refer you, if I may, Mr. Chairman, and members of the committee, to page 40.2 of the justification which is in the record and refer to the item "Rent program" under "Building occupancy," near the top of the page. You will see that the $87 million figure for 1963 exceeds the $70 million figure for 1962 by some $17 million.

A better breakdown of that increase is found on page 41.1 where the increase was broken down as between rents and leases in the amount of $8.47 million; $80,000 in capitalized rental cost, and $8.8 million in the reimbursable site acquisition fund.

Mr. GARY. What page is that on?

Mr. BISHOP. 41.1.

The essential reason for the increases in the entire rent program is attributable to two things: First, basically, an increase in the amount of space that the Post Office Department needs to use and secondly, an increase in the cost per square foot of space used. After 1938 there was practically no Federal construction of post offices authorized.

ADDITIONAL LEASING AUTHORITY

It was not until after additional leasing authority was given by the Congress to the Post Office Department and the inauguration of the lease construction program thereunder that the Department was able to acquire new facilities in substantial numbers. In the years between 1938 and 1954 and 1955 the mail volume grew dramatically. Perhaps many of the experts expected a drop in the rate of mail per capita after World War II. However, as we recall, it did not drop.

The mail volume continued to grow at a substantial rate. Meanwhile, because of the lack of new facilities, the postal plant was aging and becoming obsolete. When the lease construction program was started after authorization of the 1954 legislation, the Department awarded agreements to lease in the magnitude of approximately 600 new awards per year for about 4 years running, 1956, 1957, 1958, and 1959. Then in 1960 there was substantial acceleration in the awards, or in the numbers of awards. The figure in terms of awards for new buildings in 1960 was approximately 1,600, including rental agreements. During fiscal year 1961 that figure was increased to 2,148 new awards. Compared with the average of 600 for the 4 years between 1956 through 1959, we have a rather dramatic increase in

the number of buildings, although the 4-year average of 600 does not include rental agreements, so the figures are not completely comparable.

It is the impact of these additional buildings, buildings which help provide sorely needed additional space, that has contributed to the substantial increase in the rent requests.

SITE ACQUISITION

In fiscal year 1963, the amount of the increase attributable to rents and leases alone is only $8.47 million. However, the total rent program contains an additional request, and that is for an increase of $8.8 million for the net reimbursable site acquisition fund.

This latter $8.8 million increase is not rent in the sense of a usual lease on a post office. It represents funds which, if made available, will enable us to proceed on schedule with a number of major projects in facilities where, due to overcrowded conditions and old buildings, the need for new buildings is substantial.

The $8.8 million is the increase in that item. The total request for the site acquisition fund for fiscal year 1963, is $10 million.

Mr. GARY. This is new money?

Mr. BISHOP. This is new money.

Mr. GARY. This is new construction?

Mr. BISHOP. This represents funds for the acquisition of land and for the payment to architect and engineering firms for their services in designing buildings for major facilities. The funds are recoverable in that they are obligated at the time land is purchased or the A. & E. contracts entered, but upon award of the agreement to lease, these funds are reimbursed to the Department by the successful bidder. At the time of return to the Department, they are available for rent or for reinvestment, so to speak, in additional land or additional A. & E. contracts within the fiscal year of recovery.

If they are not obligated within the fiscal year of recovery, it is my understanding they revert to the Treasury the same as any other unobligated funds and are no longer available to the Department.

Mr. GARY. Mr. Bishop, I think I can say to you that a great many Members of the Congress, a lot of them outside of this committee, have spoken to me about it and feel that the Post Office Department did go overboard on this new building rental program.

They feel that it was accelerated much too rapidly and that by reason of that acceleration the contracts were not scanned as carefully as they might have been. I have had some fantastic figures presented to me at times of increases in the cost of certain individual post offices by reason of this new building program. In several instances Members of Congress have assured me that they were not needed and certainly not the elaborate buildings that were erected.

POLICY ON NEW BUILDINGS

I understand you have modified the policy in that program to the extent that when you outgrow a post office, instead of insisting upon a brand new post office, you are now trying to enlarge existing offices wherever that is feasible. Is that correct?

Mr. BISHOP. That is correct, Mr. Chairman. I would like to add that there are so many post office facilities in the country where the

needs for new buildings are so great that I assure you it is not our program to provide a new facility where a new facility is not needed. We found that the rather dramatic increases in the numbers of awards, from an average of 600 for those 4 years that I mentioned, up to 1,600 for 1960, 2,100 for 1961, were principally in the smaller buildings. We have redirectioned the emphasis of the Department to avoid the building of large numbers of new buildings for the sake of numbers.

I would also like to add that, by comparison with the 2,100 figure for fiscal year 1961, our programing for fiscal year 1962 is approximately 1,000 buildings, or about one-half of the previous year's awards; similarly for fiscal year 1963, we programed approximately 1,000 new building awards.

NEW CONSTRUCTION

Mr. GARY. Do you feel that you have sufficient force to supervise adequately the construction of 1,000 new buildings?

Mr. BISHOP. At the present time I believe that we have sufficient staff, together with the new staff that has been requested by the Office of Research and Engineering, to make a sound construction program.

Mr. GARY. I think that is very important. As we are constructing these post offices you and I know that it is possible for lessors to take advantage of the Department on matters of rent and therefore I think that the contract should be scanned very carefully by people who really know what they are doing so that we will not pay in any particular instance more than is justified for the rental of buildings.

I think the Government should pay its way and it should pay fair rentals, but I have known of instances where there was a tendency to take advantage of the Government in matters of this kind. I think your Department should be prepared to protect the Government from any excessive charges.

Mr. BISHOP. I appreciate that, Mr. Chairman, I would like to say that in our building program we have reexamined our space standards and found them substantially good. We have reexamined our construction standards and found them basically good. With our trained work forces and our capable new people, we anticipate through the competitive bidding process of providing the new facilities represented by these awards of an economical and useful character that will much improve the postal service.

Mr. GARY. I believe you were discussing the increases. That takes care of part of the increase. Will you give us the other items which make up the $24,500,000?

Mr. BISHOP. We have covered the rent program increase basically of $17 million.

FUEL AND UTILITY COSTS

The fuel and utility increase is basically attributable to the increase in space that we have. I call your attention to page 41.1 of the justification.

The amount of the increase in fuel is $435,000, in a total request of $7.59 million. It includes freight and drayage, coal analysis by the Bureau of Mines, metered fuel, solid and liquid fuel. It is principally related to the increase in Post Office Department space.

Mr. GARY. Do most of your rental contracts carry with them fuel and utilities or are they usually separate? In other words, are they included in the rental or do you pay for them separately?

Mr. BISHOP. Usually the utilities are paid separately, not a part of the rent.

Mr. GARY. And the fuel also?

Mr. BISHOP. And the fuel also. The fuel and utilities item here is not just for rented and leased facilities, but also for the fuel and utilities in the Federal buildings that the Post Office Department controls.

Mr. CONTE. What is that coal analysis, Mr. Chairman?

Mr. BISHOP. That is an analysis of the quality or characteristics of coal done by the Bureau of Mines to determine the price that the Department shall pay for coal delivered.

Mr. GARY. You have $3,430,000 increase for utilities. That is electric, water, and sewer service.

Mr. BISHOP. Mr. Chairman, that increase is principally—which item was that?

Mr. GARY. Utilities.

Mr. BISHOP. Principally electricity, related to the increase in space occupied but also reflecting the increased use of air conditioning and mechanization in our post offices.

AIR CONDITIONING

Mr. GARY. You are putting in air conditioning in most of your new buildings?

Mr. BISHOP. That is correct.

Mr. GARY. Do you find that increases the standard of work a good deal, or the amount of work your employees are able to perform?

Mr. BISHOP. I would call on Mr. Harriman to answer that question if I may.

Mr. HARRIMAN. Mr. Chairman and members, we have rather substantial, significant data showing that in terms of the maintenance of the building itself, the operation of the mechanization and performance of a plant as a whole has been increased by having the major facilities air conditioned. Taking the question that we had from Mr. Steed last week in terms of air purification that is followed out in different European countries where you visited this summer, we accomplish this by the use of the air-conditioning system also. It filters and takes the dust out of the air. Thus, it does not get to the oil in forming tars. In terms of the post office image as a desirable place to work, I believe we can say we have been increasing the efficiency of our employees year after year and I think we have to contribute part of this to the better working conditions allowing us to get a better qualified individual to work for us in the post office.

Mr. GARY. I think that is unquestionably true. I know that one of the first renovation projects was in Richmond, because it was close to Washington and could be observed without much difficulty. That was a very old building. The lighting was atrocious. Installing new lights, I think, increased the efficiency tremendously because a

person would have to have unusually good eyesight to work in the old building. In just the painting of the building certain steps were taken to reduce accidents for safety purposes, and while it was not a new post office, by the renovation process I think they did tremendously increase the efficiency of the organization, just by those means.

Mr. HARRIMAN. Very good.

COMMUNICATIONS

Mr. GARY. What is the reason for your increase of $465,000 in communications?

Mr. BISHOP. This is again related to the increase in the space occupied by the Post Office Department, together with a need for additional telephone service in some of our smaller offices. This item includes not only telephone service but also telegraph and teletypewriter service.

CUSTODIAL AND POSTAL SUPPLIES

Mr. GARY. I notice you have here custodial and postal supplies and services. You have a $3,457,000 increase.

Mr. BISHOP. Perhaps it would be best to refer to page 42.1 of the justifications where we can see the increase by item; for example, the freight increase of $100,000 providing for cost of freight for shipment of supplies from our area supply centers to our larger post offices. This increase is principally due to normal growth in postal activity.

Mr. GARY. You have a reduction of $25,000 in rental equipment.

Mr. BISHOP. We are very pleased, of course, to have such decreases before the committee. It represents this year a partial accrual of the savings to result from the transfer of the money order processing from Kansas City to Washington.

Mr. GARY. That is a saving, then?

Mr. BISHOP. Yes, it is.

Mr. GARY. Did you buy any new equipment to make up for this?

Mr. BISHOP. No. As a matter of fact, this transfer will not be completed until 1964.

Mr. GARY. We are always glad to hear of decreases. The "Building, management, and other services" item is up $769,000.

Mr. BISHOP. Basically the inspection and regulation of our air-conditioning and automatic heat systems account for approximately one-half of that increase. Of the total approximately one-fourth is attributable to a stepped-up safety program which the Department has found to be most necessary and desirable.

Mr. GARY. Where you have air conditioning, I suppose you have to have at least one or two technical men to look after the air conditioning——

Mr. BISHOP. Depending on the size of the installation. If it would become economically feasible to have our own technical people at a particular post office we would do so. In the smaller offices where it is not economical to do so we would use outside services.

Mr. GARY. The "custodial and postal supplies" item is up $2,613,000.

Mr. BISHOP. Actually this $2.6 million increase does not accurately portray the existing trends. The accelerated program in the last half of fiscal year 1961 had the effect of reducing requirements for 1962. The increase for 1963 representes a return to normal increase attributable to increased size of the postal service.

MAILBAG REPAIR CENTERS

Mr. GARY. Your mailbag repair centers, depositories, and mail equipment shops show a saving of $782,000.

Mr. BISHOP. Again we are most pleased to bring before the committee a reduction of this kind where we can economically make it. It represents a continuation of improved examination and repair methods by which bags can be repaired and returned to service, and also our efforts to keep close control on our inventory levels.

Mr. GARY. How many of those repair centers do you have now?

Mr. BISHOP. Actual present number of repair centers and depositories is 16. We would be most happy to furnish locations for the record if you would so desire.

Mr. GARY. We shall be glad to have them.

(The information requested follows:)

Mailbag repairs performed by repair centers and depositories

	Repair		No repair depositories
	Repair centers and depositories [1]	Depositories [2]	
Atlanta, Ga.	X		
Boston, Mass.		X	
Buffalo, N.Y.		X	
Chicago, Ill.	X		
Cincinnati, Ohio	X		
Denver, Colo.		X	
Edgewater, N.J. (to be activated July 1, 1962)	X		
Kansas City, Mo.		X	
Los Angeles, Calif.		X	
New York, N.Y.	X		
Oakland, Calif.		X	
Philadelphia, Pa.		X [3]	
Pittsburgh, Pa.			X
St. Louis, Mo.	X		
St. Paul, Minn.		X	
Seattle, Wash.		X	
Washington, D.C.		X	

[1] Repair centers perform the following types of work, plus normal depository functions: Sewing, heat seal regrommeting, restringing, and benchwork (replacing neck straps, label cases, etc.)

[2] These depositories perform the following types of repair work in addition to the normal depository functions: Heat seal, regrommeting, and restringing.

[3] Deactivated as repair center, Jan. 5, 1962. Functions and positions transferred to New York.

Mr. GARY. You are repairing the mailbags at those centers. Is that correct?

Mr. BISHOP. That is correct.

Mr. GARY. And each center takes care of the area surrounding it?

Mr. BISHOP. I should perhaps qualify that by saying that that total number represents both the mailbag repair centers and the mailbag depositories. I do not believe repair activity is actually done at every one of the depositories.

Mr. GARY. When you give us a list of the locations of the centers will you indicate which are repair centers and which are merely depositories?

Mr. BISHOP. We shall be glad to do so.

DISPOSABLE CONTAINERS

Mr. GARY. What is the situation now and what is the status of the experiments which have been made in handling mail in various kinds of containers other than the regular mailbags? I know they had an experiment going on at one time with bags which could be used for one shipment and then destroyed. They were plastic bags of some kind.

Mr. BISHOP. I believe the experiment to which you refer was described, more or less, as paper bags. After considerable analysis it was found they were not economically feasible and there is no further work being done on that particular project.

Last year some vinyl bags were being tested on the west coast, both airmail and surface mail variety. The experiment regarding the surface mail vinyl bags indicated that their use was not economically feasible nor operationally desirable. That research has been terminated.

The vinyl air bags, however, appear to offer some prospects and they are undergoing final analysis in the Office of Research and Engineering at the present time.

Mr. GARY. So you are still using the canvas bags?

Mr. BISHOP. Yes, sir; we are.

STAMPS AND ACCOUNTABLE PAPER

Mr. GARY. I notice you also have a reduction of $180,000 in stamps and accountable paper.

Mr. BISHOP. This represents a return to normal stamp requirements. Also, you may recall, the number of commemorative isssues has been cut drastically.

PRINTING AND REPRODUCTION

Mr. GARY. Printing and reproduction is up $210,000.

Mr. BISHOP. A portion of this increase is represented by and attributable to increased requirements for punched cards and the printing of postal transportation schedules.

There is also a portion of the increase attributable to increased forms necessary to effectively manage and control the increasing mail volume.

FIELD PERSONNEL

Mr. GARY. You show an increase of $92,000 in field personnel. What is the reason for that?

Mr. BISHOP. Approximately $75,000 of that increase, as I recall it, is due to mandatory increases of compensation and other benefits to which the employees are entitled under existing law.

There is a slight increase attributable to increased production of L.A. locks at the Washington facility. There had been no manufacture of this particular type of lock after 1957. A shortage was

about to develop so production was reinstituted during fiscal year 1962 which will continue into 1963 but taper off.

Mr. GARY. These are locks to be used on mailbags?

Mr. BISHOP. That is correct.

EMPLOYEES COMPENSATION FUND

Mr. GARY. Then regarding the employees compensation fund it shows $3,000. I take it that is mandatory?

Mr. BISHOP. Yes, it is.

NEW POST OFFICES

Mr. GARY. How many new post offices will be occupied in 1963?

Mr. BISHOP. Approximately 1,000 new buildings, Mr. Chairman.

LEASE CONSTRUCTION PROGRAM

Mr. GARY. Will they all be leased facilities?

Mr. BISHOP. There may be one, or a very few, Federal buildings in which the Post Office Department will have space in GSA buildings. Where the General Services Administration has need for other Government agencies we are happy to and we do cooperate with them in providing a joint facility where postal needs can be met by such a facility.

Mr. GARY. How many major facilities are now under construction?

Mr. BISHOP. I will have to furnish the actual number that are under construction.

Mr. GARY. Can you give us a list of the major projects, their locations, and the dates of the scheduled completions?

Mr. BISHOP. I shall be happy to do so.

Mr. PILLION. What would be a major project, in order to clarify this? Do we have a meeting of the minds as to what is major?

Mr. BISHOP. Shall we consider 50,000 square feet, including mechanization?

Mr. PILLION. What is the cost per square foot approximately? Is it $10, $12?

Mr. BISHOP. Are we talking in terms of construction costs for the buildings?

Mr. PILLION. Yes.

Mr. BISHOP. The construction costs for the buildings range depending upon the area in which the buildings are built and the actual complexity and size of the building. A fair average of the construction costs would probably run from $10 on the low side to $17 to $18 per net interior square foot on the high side.

Under our leasing program I do want to point out that the costs of construction are borne by the lessor of the facility and the Department merely pays the rent thereon.

Mr. PILLION. Are we talking now about a 50,000-square-foot building as being a major construction or are we talking now about 100,000 square feet costing roughly $1 million?

I wondered what you wanted in the record, something costing $500,000 or more or $1 million or more.

Mr. GARY. I would not imagine many of them run over $1 million. I would think $500,000 is a rather major project.

Suppose we make it from 50,000 square feet up.

Mr. BISHOP. Very well, sir.

During fiscal year 1963 approximately eight major facilities, while perhaps not meeting the specific criteria, are of that general caliber and will be occupied by the Department for the first time. The Department will commence paying rent on them for the first time.

(The information requested follows:)

Lease construction program—Agreements to lease awarded but buildings not completed as of Jan. 19, 1962—Buildings over 50,000 square feet

Location	*Estimated occupancy*
Portland, Oreg	May 1962.[1]
Houston, Tex	September 1962.
Harrisburg, Pa	February 1962.
Edgewater, N.J. (mail bag facility)	July 1962.
Grand Rapids, Mich	November 1962.
Philadelphia, Pa	February 1962.
El Paso, Tex	April 1962.
Cincinnati, Ohio	November 1962.
Omaha, Nebr	May 1963.
Buffalo, N.Y	Do.

[1] Garage now occupied.

Mr. GARY. What is the normal term of the leases?

Mr. BISHOP. It varies according to the size of the facility. On our very smallest facilities we utilize month-to-month rental agreements which are terminable by the Department. On facilities ranging up to 12,000 square feet we would use a basic lease term of 10 years normally with options to renew for two 5-year terms.

On facilities of a larger variety than that we would require a basic term normally of 20 years with options to renew thereafter, and on our very largest facilities, generally the major facilities in excess of 50,000 square feet and including mechanization, we would award a lease on the basis of a 30-year term with renewal options thereafter.

Mr. PILLION. In which of these classifications which you just talked about do you have the options to buy? Are they in all leases or are they limited to a certain sector?

Mr. BISHOP. Our present program includes options to purchase on the largest category.

Mr. PILLION. Is there a set rule?

Mr. BISHOP. It is our normal practice to require options to purchase on the largest category we have just described.

Mr. PILLION. What is the definite size of that category?

Mr. BISHOP. It is not by size. It is not specifically by size, but on all of those above that size limit that I have described to you, where 30-year terms would be involved, we would have options to purchase.

On our Federal building abandonments, and on any leased post office built on property which was owned by the United States and conveyed to the successful bidder, we also require options to purchase,

Mr. PILLION. I shall go into it later, Mr. Chairman.

Mr. GARY. Do any of the facilities become the property of the United States at the end of the lease?

Mr. BISHOP. In terms of the facilities now being awarded, no. The 1954 additional leasing authority which was granted by the Congress did provide for several years a purchase lease-back program

under which I understand five buildings were built, and with respect to those five buildings title to the premises will revert to the Government at or near the end of the lease term. On the other lease facilities, no.

Mr. GARY. Is there any cooperation between the GSA and the Post Office Department in the matter of leases?

Mr. BISHOP. Very close working relationships with the General Services Administration. We inform them of our needs and our plans and they similarly inform us of their plans so that there is good liaison between the two agencies.

AMOUNT AND COST OF LEASED AND RENTED SPACE

Mr. GARY. The rental cost of the Post Office Department has increased tremendously in the past 10 years. A table was inserted in the record last year showing those amounts. Will you bring that table up to date through 1963, sir?

Mr. BISHOP. We have it available and we shall insert it in the record.

(The table requested follows:)

Rent obligations and amount of leased and rented space

Fiscal year	Obligations [1]	Annual rate, June 30	Percent increase over prior year	Total space occupied June 30 [2] (square feet)	Percent increase over prior year
	Thousands	*Thousands*		*Thousands*	
1951	$19,962				
1952	23,154				
1953	26,193				
1954	28,545				
1955	32,112				
1956	32,767	$32,690			
1957	34,989	34,621	5.9	67,283	
1958	37,660	37,728	9.0	74,102	10.1
1959	42,171	41,820	10.8	81,223	9.6
1960	47,050	48,026	14.8	90,684	11.6
1961	56,836	57,768	20.3	107,529	18.6
1962 estimated	68,855	67,032	16.0	120,823	12.4
1963 estimated	77,405	79,114	18.0	137,464	13.8

[1] Includes capitalized rent costs and payments to other Government agencies.
[2] Includes platform and parking and maneuvering space.

Mr. BISHOP. Referring to the chart which has just been put into the record, I shall call your attention to the fact that the "Obligations" column is the column which is consistent with the 10-year chart which was introduced into the record last year.

Mr. GARY. Can you project your estimates into future years in this field?

Mr. BISHOP. A year from now we hope to be in a much better position to give the committee a realistic projection over perhaps a 5-year period.

During the past fiscal year, as you may know, the Bureau of Facilities has been reorganized. One of the new branches in the Real Estate Division in the Bureau of Facilities is our Realty Planning Branch. I believe it will make a real contribution to longer range planning and enable realistic projections. I recall that last year a tentative projection into 1963 was made. The figure given then was

in the magnitude of $100 million, but currently the estimate is about $77 million.

As we sit here now, I could not give you a really realistic projection into the future years, and I would not want to give you a projection which might ultimately be so wide of the mark as the $100 million figure was from the $77 million figure.

RENTAL CONTRACTS

Mr. GARY. What is the basis on which rental contracts for these new post offices are calculated?

Mr. BISHOP. In practically every case, the rental for these new facilities is determined by competitive bidding. The Department prepares tentative plans and drawings for new leased facilities and, essentially, they are advertised for bidders to bid a lease rental for the basic term together with renewal option rentals and purchase option rentals.

The lowest and best bid is awarded the lease. Award is made on the basis of the rent that is bid.

RENTAL VERSUS GOVERNMENT OWNERSHIP OF PROPERTY

Mr. GARY. Many business firms are building many new buildings all over the United States. You see new stores for Sears, Roebuck almost everywhere you go. Do you know whether they use this rental policy or do they buy most of their buildings?

Mr. BISHOP. Many of our national commercial corporations, such as chainstores to which you have referred, for example, use commercial leases quite similar to the arrangement that the Post Office Department uses to obtain its needed space.

Mr. GARY. So you are following substantially the same policy as the commercial corporations in the country?

Mr. BISHOP. Yes, that is correct.

Mr. GARY. With this tremendous increase in rental costs from $19,962,000 in 1951 to $87,405,000 in 1963 do you still consider the rental program to be more economical than outright purchase?

Mr. BISHOP. Referring to the chart we introduced into the record, the comparable figure for 1963 to the $19.962 million figure for 1951 is $77.405 million. We feel the leasing program is a sound program notwithstanding the substantial increases in the rent account over these years, and we feel it is a most desirable and acceptable manner in which to acquire the needed space, the needs for which developed over those long years during which practically no new facilities were being provided for the Department.

I might also mention that the capital cost of purchasing the facilities which have been provided to us under the leasing program would have been tremendously larger.

Mr. GARY. The program has certain advantages in addition in that it does not remove the property from the field of local taxation so that the local governments receive their taxes on the buildings. Is that correct?

Mr. BISHOP. Essentially that is correct. While payment of local taxes is not an end or purpose of the leasing program it is a byproduct

of the program which takes into account the needs of municipal governments for their so badly needed revenues.

It is equitable, in the opinion of the Department, that the users of the mail pay their appropriate share of such taxes under the leasing program.

RENTAL COSTS PER SQUARE FOOT

Mr. GARY. What is the average cost per square foot for these buildings?

Mr. BISHOP. The average per square foot cost, considering the annual rate of rental at the end of fiscal year 1962, will run approximately $1.18 for leased buildings, net interior space, and approximately 66 cents for interior space in our smaller rental buildings.

We calculate that the average per square foot cost on the same basis, the annual rental rate at the end of fiscal year 1963 for the space occupied at the end of the year, will run approximately $1.25 per square foot for our leased facilities and 70 cents for our small rented facilities.

Mr. GARY. There was a policy in the Post Office Department at one time to construct at Government expense and under Government ownership, the main city offices which are more permanent offices and to lease the branch offices. You are now leasing practically all of them; is that correct?

Mr. BISHOP. That is correct, Mr. Chairman.

Mr. GARY. How do the figures you just gave us compare with construction costs for other governments' or similar private construction?

Mr. BISHOP. The figures I gave for construction costs are based on our estimates of the actual cost of construction incurred by our lessors in the building of the buildings that we lease from them.

We are convinced that there is a lesser cost of construction under the leasing program than under direct Federal construction. This is a difficult difference to document because of the lack of comparable buildings built of the same characteristics under comparable time circumstances in comparable areas.

Nonetheless, because of the many times we have been told by bidders in the field that the construction costs are less, we are convinced that there is some reduction.

OAKLAND POST OFFICE

Mr. GARY. Do you contemplate constructing the Oakland office under a lease contract?

Mr. BISHOP. Yes, we do, Mr. Chairman. The Oakland Post Office is being processed as a conventional post office, and it is no longer related to the contract between the Department and the FMC Corp. at San Jose. However, it is my understanding that it is possible that some, or perhaps all, of the produce of the FMC contract might be utilized within the Oakland project even though it is not necessarily tied to it.

I would ask Mr. Harriman if that is not essentially correct.

Mr. HARRIMAN. That is correct. All aspects of research and development have been separated out of the original contract and are now standing on their own merits research and development wise.

The post office facility, as Mr. Bishop stated, will be handled in the normal manner through the Post Office Department and we will take advantage of the latest state of the art of mechanization both from FMC and other competitive companies in determining what mechanization will be called out for the Oakland post office.

Mr. GARY. It will be handled under a leasing contract.

Mr. HARRIMAN. It is our thought it will be so handled; yes, sir.

Mr. PILLION. So far as the size is concerned, is additional space being taken into account for increased mechanization?

Mr. HARRIMAN. Yes, sir.

Mr. PILLION. Referring to the new sorting arrangement which was being worked on—I did not see it but I understand there was a new mechanism being worked on by the Food Machinery Corp.—are prospects of that sufficiently good that it might be installed in the Oakland post office?

Mr. HARRIMAN. The FMC Corp. contract calls for looking at all the existing equipments available to us from industry and recommended changes. The answer to the question is yes. The end product of the research and development contract with FMC will be applicable to the machinery called out for Oakland. It will not necessarily be a new or different piece of equipment designed specifically by FMC but it will be their evaluation with improvements in design and specifications.

Mr. PILLION. I understand that insofar as cullers are concerned, and so on. I refer specifically to the sorters now. The one they were working on I understand enabled them to sort to 8,000 places. They had a new type of sorter they were working on.

Mr. HARRIMAN. That is right.

Mr. PILLION. That is the one I am talking about. What is the status of that one research project relative to the Oakland Post Office?

Mr. HARRIMAN. I shall identify this. We are not talking about letter sorters but parcel sorters and flat sorters. The determination has not yet been made as to how feasible this would be in terms of a piece of hardware. If we do not have approved specifications and drawings at the time the building at Oakland is built we shall allow sufficient space and will provide the utilities so that this equipment can be added at a later date.

At the present time it does not look as if the schedule of the FMC Co. will provide designs for operational equipment at the time the original contract is let for the post office.

Mr. PILLION. I am still confused. Was not the primary Food Machinery Co. project started to find a substitute for the present sorters? Was it not something to take the place of that machine?

Mr. HARRIMAN. I would like to state that the concept as originally handled and as it is now called out in our research and development contract is to review all existing equipment and recommend improvements. There is not specifically a machine for just parcel sorting or just sack sorting or just flat sorting. They are working on all three of these areas.

Mr. GARY. The idea at the Oakland Post Office was that they would use the latest machinery. I would assume that for sorters you would use the Burroughs or some other machine which has been developed outside of that office. Is that correct?

Mr. HARRIMAN. Yes, sir.
Mr. GARY. Outside the contract for that office.
Mr. HARRIMAN. That is right.

MAIL TO BE PROCESSED AT OAKLAND

Mr. GARY. Tell me this: It was originally planned, and I understand the project was originally called Gateway, that all of the mail passing through the port of San Francisco would be processed at the Oakland office. Have you abandoned that idea now?

Mr. HARRIMAN. We have not. We will still process all oversea mail passing through Oakland through this post office. The only change in concept takes advantage of what we have learned in Providence.

It has been the concept of FMC corporations to do this right along—to process only the mail for Oakland in its area, and oversea mail. There is no intention of going out and collecting mail in the surrounding communities.

Mr. GARY. But you will still process the oversea mail there?
Mr. HARRIMAN. That is correct.
Mr. GARY. All the oversea mail going through San Francisco?
Mr. HARRIMAN. That is correct.
Mr. GARY. The APO's now are San Francisco. Will it in the future be San Francisco or Oakland?
Mr. HARRIMAN. San Francisco as it is now but it would be processed in the Oakland facility.
Mr. GARY. Mr. Steed?

PROVIDENCE PROJECT

Mr. STEED. In connection with the Providence project we have heard quite a bit about what we ought to do. Do you consider that experiment gave you any tangible or intangible assets in terms of mistakes which can be avoided in the future?

Mr. HARRIMAN. Very positively. Many things have been learned and they vary from the evaluation of mechanization to workload. Managementwise we have learned even more, the necessity of getting in there with the departmental personnel people, regional personnel people, local management and departmental management, and having the post office employees trained and psychologically prepared for the new mechanization which is coming in.

In Detroit, for example, we benefited greatly from what we learned in Providence. We initiated orientation programs and training programs well in advance of the operation of the particular equipment that is being started up. This has been most helpful to us. We are still learning.

In the design of the mechanization itself, significant areas between equipments were not mechanized in the Providence Post Office, so we still have manual work to be performed by men whereby a simple connection of the equipment could have been made easily. We are still learning from that project.

SELECTION OF PROVIDENCE SITE

Mr. STEED. Were mistakes which seemed to be connected with the physical location of the Providence plant helpful? Was that something the Department already knew or was a lesson learned from that mislocation?

Mr. BISHOP. The selection of the particular site was made by officials no longer with the Department. Certainly in connection with selecting sites for any post office we shall attempt to avoid locations which have drawbacks of a serious nature.

Mr. STEED. I asked the question because it seems to me that daily you are confronted with certain problems of transporting mail in and out of the building. It seems a better location would have been important.

Mr. BISHOP. At the present time there are certainly many traffic problems posed because of the location of the site at Providence.

It is my understanding that further highway development is at least in the planning stage and perhaps upon completion of the highways that are planned some of the difficulties will be substantially alleviated.

Mr. STEED. I would think the expansion of the freeway systems in metropolitan areas which are now underway would make it wise in your keeping up with that highway development program.

Mr. BISHOP. It is definitely part of our planning.

CLEANING OF MAILBAGS

Mr. STEED. Referring to the mailbag repair service, do you do any cleaning of these sacks? Is that part of the operation?

Mr. TRAHERN. We have done some cleaning in the past by laundering. That operation has been discontinued at several points and the few remaining contracts are presently under study. It has been brought to our attention that mailbags are cleaned by suction and inversion in some places. It so happens our bags are made of a material more impregnable to dust and this method used in foreign nations will not work.

Mr. GARY. Off the record.

(Discussion held off the record.)

CUSTODIAL COSTS—RENTED OR LEASED BUILDINGS

Mr. STEED. As to these projects of rented or leased buildings, is not one of the advantages, especially in the smaller type facility, the fact that you can avoid the necessity of an excessive custodial cost in their upkeep?

Mr. BISHOP. Mr. Steed, it is an advantage in that in many of our rented buldings, the lessors maintain the buildings. To the extent that an owner of a building at the local level is interested in good maintenance of his building, I think it would make a direct contribution.

Mr. STEED. The thing that occurs to me is that in a small community you could not have a Government-paid custodian for the very small amount of time required to clean and maintain the building. Therefore, by arranging that through the owner you avoid the necessity of

having someone on the payroll that you did not have very much work for.

Mr. BISHOP. I must distinguish between custodial work and actual maintenance work on the building. I was speaking to maintenance rather than to custodial work. With respect to custodial work in our smaller offices, we do use Postal employees where it is economically possible or feasible to utilize the services of one man. Where there is not sufficient custodial work to be done, we now use outside cleaners in the particular buildings.

FACILITY REPLACEMENTS BY LEASED BUILDINGS

Mr. STEED. Do you have any instances where a building presently owned by the Government, having become inadequate, is replaced by leased buildings?

Mr. BISHOP. Yes, we do. There have been many Federal buildings which by virtue of age, growth in the mails, and growth in population, became totally inadequate for proper mail handling under modern-day standards. To the extent that our work force has been able to and our funds have been sufficient to enable us to provide new leased facilities, we have vacated such obsolete and insufficient federally owned buildings in favor of leased facilities.

Mr. STEED. That would also be true where the old building was on a site or otherwise not susceptible to enlargement or modernization of itself?

Mr. BISHOP. That is correct. Where it is feasible to extend and modernize a Federal building economically, certainly we do such extension and modernization rather than remove from that building. It is only in those cases where such improvements, modernization, and extension of the building itself is not economically feasible that we would vacate the building.

Mr. STEED. Once you have such an abandoned building, how do you dispose of it?

Mr. BISHOP. The General Services Administration is responsible for the disposal of such buildings. I might mention that in many cases, while such buildings have become totally inadequate for the postal workload, by renovation, conversion, and modernization those Federal buildings are made available as space for other Federal agencies under the jurisdiction of the General Services Administration. The fact that we remove from a Federal building does not mean that the building is abandoned. It is my understanding of the disposal process that GSA first considers utilizing that space for other Federal agencies before it takes any steps to actually dispose of title to the property.

Mr. BRAWLEY. On the other side of that, we are reviewing daily with GSA items of property that become available from other agencies to see if they can be used by the Post Office rather than construct new buildings, et cetera.

Mr. STEED. The reason I ask these questions is I have such a situation in my district. I was trying to find out about the possibilities for getting it worked out.

Mr. GARY. That would offer a very good opportunity for savings. I remember when we had our surplus disposal program at its height. One of our dealers in Richmond came up here to Washington and

purchased surplus office furniture from the Government at a very nominal sum, and then took it down to Richmond and sold it to the Veterans Administration in Richmond for quite a profit.

Mr. STEED. I think it was situations like that that caused the GSA to be created in the first place.

Mr. GARY. I hope they are stopping it now. Off the record.

(Discussion off the record.)

Mr. GARY. Mr. Pillion.

INCREASE IN COST OF FACILITIES COMPARED WITH INCREASE IN MAIL VOLUME

Mr. PILLION. Mr. Bishop, I would like you to refer to page 41.1 of the justifications. Assuming a 3-percent increase in volume each year for the past 3 years, without compounding it as it should be, the total volume of mail has increased roughly 9 percent over a period of 3 years. However, when we look at the costs of the facilities, we find that your increase from 1960 to 1961 was 12.4 percent, the increase to 1962 was 18.6 percent, the increase to 1963 is 21 percent increase in cost. So that again, without compounding it, you arrive at a total increase of 52.6 percent in your costs of the facilities over a period of 3 years as against a 9-percent increase in volume.

If you compounded that, you would probably arrive at a figure of pretty close to 60 percent increase in your rent and facilities program. I am just wondering how in your opinion that can be harmonized with the 9- or 10-percent increase in volume for 3 years.

Mr. BISHOP. Congressman Pillion, I would attribute the percentage increases that you have referred to principally to the fact that the postal plant was so obsolete and inadequate as a result of the long years during which it was not receiving an input of new facilities at the same rate as the existing facilities were aging and becoming obsolete. It is because this is a catching-up process rather than steady maintenance of an already adequate plant that represents the divergence between the two rates of increase.

Mr. PILLION. I understand that, along with the increased costs in construction, et cetera. However, my wonderment is about the wisdom of trying to telescope all of the catching up into a short period of 3 or 5 or 7 years. I am wondering whether we could not stretch this out under a more leisurely and more efficient program for, as you say, catching up with both the increased volume and the obsolescence of many of our plants.

REIMBURSABLE SITE ACQUISITION

The item on the same page under "Rent program," the last item, the net reimbursable site acquisition of $8,820,000—it was my understanding a few years back that we were placing into this account a sum that was revolving, a revolving sum that would amount to about $15 million or $20 million, enough to keep going, and that we would then be reimbursed to an extent that would pay back this sum as it was returned.

Are the reimbursements in another account? What were the reimbursements for last year and what will they be for 1963? In other words, this is a net deficit in the revolving sum.

Mr. BISHOP. The reimbursements received during fiscal 1961 amount to $8.3 million. Estimated for fiscal year 1962 approximately $8.7 million. Estimated for fiscal year 1963 approximately $8 million.

Mr. PILLION. This $8.82 million that is in this budget is not in addition to that $8.3 million, is it?

Mr. BISHOP. Yes, it is.

Mr. PILLION, Then your total acquisition for sites will be $16 million?

Mr. BISHOP. That is essentially correct. The amount requested for 1963 is $10 million, an increase of $8.8 million over 1962. Including reimbursements, the total to be available will be about $18 million for 1963. It is this $8.8 million increase in the request for 1963 that contributes so substantially to the amount of the increase and the percentage increase of 1963 over 1962 in the overall building occupancy program. This site acquisition fund, as I mentioned, is used to acquire sites and contract for professional architect and engineering services. The funds are returned to the Department by the successful bidder at the time of award.

Mr. PILLION. I am not so much interested in return of funds. I am interested in the fact that you are now contemplating increasing your starts. This is an indication of the starts you are going to get because with the acquisition of sites, you are increasing starts to the extent of $16 million, as indicated by your site cost plus your architectural costs. This is only the beginning. Now you will get the cost of facilities on that based upon $16 million worth of sites and architectural plans as against roughly $8 million the previous year. In other words, you are doubling your new starts or the beginning of your new starts in costs.

Mr. BISHOP. These funds are necessary in order to keep on schedule projects that have been under planning for some time. We have found that the rate of recovery of the reimbursements to the fund has not been so fast as it was programed earlier by the Post Office Department. The total site fund through the end of fiscal year 1961 amounted to about $20 million, and if that fund were being returned at a more rapid rate, it would not have been necessary for us to request the $8.8 million additional for this year.

However, the leadtime between the planning and the actual award of the lease has made it necessary for us to ask for these funds.

Mr. PILLION. I know, and I understand all that, but I am very much bothered with the Department coming up here—we were assured, I think the gentleman will recall, that give us another $8 million, we have $15 million in the revolving fund, we will not need any more, not only will we recover each year the sites necessary for next year, but we will also repay you the $15 million of the original revolving fund.

We have been giving the amounts each year, and then we are now or should be in a position, according to the testimony of the Post Office Department, that we would not only have as much money coming back as we give out each year, but also that we would have a return on the original investment.

Now we find that here is another $8 million over and above the return that you received. It is very annoying to sit here and remember back what was said here to us and assurances given and then we

find that the assurances are completely forgotten, new reasons are given for the additional requests in the budget.

This is nothing personal, because you understand it is a matter of buildup over the years. I am talking now about the overall situation.

Mr. BISHOP. First, I would regret if in years past there was over-optimistic projection and assure you that we have adopted during the past year a realistic and hard-nosed approach to scheduling so that we can project the various planning stages, the design stages, the award stages of these projects that we have such great need for.

I might mention to you that if we are to keep eight projects, eight major facilities projects, on schedule for site acquisition and A. & E. contract award during 1963, we will need the site acquisition funds requested. We have approached it, I assure you, on a hard scheduling basis in relation to these eight specific projects.

Mr. PILLION. How much of the revolving fund will you have left at the end of fiscal 1962 to go into 1963? Then add the $8.8 million to it. What will be the total amount you will have on hand for this particular item beginning July 1, 1962, for fiscal 1963?

Mr. BISHOP. The balance of the site acquisition fund as of June 30, 1963, will be approximately $30 million. It will all be invested in sites and contracts.

Mr. PILLION. I mean money that you will have available on July 1, 1962, for sites for that year. You will have $30 million. That is invested and to be reimbursed at a later date. How much will you have available July 1, 1962, for your purchase of sites?

Mr. BISHOP. I will have to answer that this way.

Mr. PILLION. And your payment of architectural fees.

Mr. BISHOP. As of the start of the fiscal year, we will have no funds. The actual site fund is all represented in land and A. & E. contracts. During 1963 we will receive reimbursements of approximately $8 million, and with the $10 million we have requested, there will be a total of approximately $18 million available for investment in land and A. & E. contracts during the fiscal year. At any one point in time there are practically no funds on hand because when the funds are received under our scheduling process, we attempt to immediately reinvest them.

I might mention to you that if they are not obligated within the fiscal year of recovery, it is my understanding they automatically revert to the Treasury the same as any other unobligated funds and are no longer available to the Department for obligation.

Mr. PILLION. As to the total accounts receivable, we were given to understand that a sum of $15 to $20 million would be the top. So the maximum now has gone up to $30 million for the Government money invested in these sites to be reimbursed by you later on.

Mr. BISHOP. I would suggest that the programing which envisioned a total of only $20 million did not take into account the actual amount of time that is required in order to get the money back.

POLICY ON ACQUIRING NEW FACILITIES

Mr. PILLION. What is the overall policy and law under which you operate to begin new starts in post offices? What is the relationship between that and the Policy Act of Congress for a $500 million modernization program? How does that fit into your overall policies

and what are the basic laws and the policies under which you determine how many starts you will have next year?

Mr. BISHOP. The legislation under which the Post Office Department awards agreements to lease new facilities does not delineate the number of new starts that are made.

Mr. PILLION. Either in numbers or in dollar amount?

Mr. BISHOP. That is correct.

Mr. PILLION. In other words, there is no limitation then?

Mr. BISHOP. There is no limit imposed by the legislation itself on the number of starts or the dollar amount in construction cost to be incurred by lessors as a result of such starts.

Mr. PILLION. Either in construction costs or there is no limit upon the amount of leasing cost by the Government for the construction by the lessors, is there?

Mr. BISHOP. In the leasing legislation, that is my understanding.

Mr. PILLION. That there is no limit?

Mr. BISHOP. That is right.

Mr. PILLION. Are you affected in any way by the $500 million modernization program we were talking about? What does that relate to? Does that restrict the present operations in any way? What is the relation?

Mr. BISHOP. I am not familiar with the $500 million limitation you refer to. Mr. Noble, would you respond to that.

Mr. NOBLE. Congressman Pillion, I believe you have reference to the postal modernization fund that was incorporated in the legislation enacted in 1958.

Mr. PILLION. That is right.

Mr. NOBLE. That provided for a fund which actually never was used as such. The program that was proposed at that time envisioned a total expenditure of Government money of about $500 million. The original thought was a special fund would be established for that. It was never funded, and has since expired as of June 30, 1961.

The modernization program has gone forward from year to year by requesting appropriations from this committee for improvements to Federal buildings and for mechanization, and the program of building leased buildings has gone forward as submitted in the justifications each year. But there is no longer any specific legislation referring to a modernization fund.

Mr. PILLION. Thank you. There is no restriction, as I understand it, legally upon your program. Now, what is the policy, then, of the Department with respect to the continued program for the lessor-constructed buildings? I am talking now in the future, next year and the year after and the year after.

Mr. BISHOP. The Department's policy basically is that it should proceed to provide facilities that are adequate and consistent with modern-day working standards in those facilities which are not presently up to standard. We do not hope to do it overnight.

Mr. PILLION. You do not have a short, simplified schedule of what the standards are that this committee could look at and at a glance know what your future plans are, such as a corporation would have, saying we are going to build so much and at such-and-such a cost to produce such-and-such a number of tons of steel or yards of wool, or something of that kind?

Mr. BISHOP. At the present time we do not have an inventory of the relationship in all the 28,000 rented leased, and Government-owned

post offices as to whether each of these offices meets current-day standards. However, we are proceeding along such planning lines.

Mr. PILLION. As I understand it, the buildings where you feel the need for it the most——

Mr. BISHOP. Where the need is the greatest.

Mr. PILLION (continuing). You take those, and then you are going into the lease construction situation in those areas; is that right?

Mr. BISHOP. We have so many where the needs are so great that within the realistic limits imposed by our work force we cannot reasonably anticipate any greater rate of awards than has been made in the past. As a matter of fact, we have reduced the rate of awards substantially. I refer again to the 1,600 awards that were made in 1960, the 2,100 that were made in 1961. We have cut down to about 1,000 estimated in 1962 and estimate approximately the same figure for 1963.

Mr. PILLION. Thank you.

Mr. STEED. We will adjourn at this time and resume at 2 o'clock.

(AFTERNOON SESSION)

Mr. GARY. The committee will come to order.

When the committee recessed I believe, Mr. Pillion, you were questioning the witness. You may proceed.

INCREASE IN COST OF FACILITIES COMPARED WITH INCREASE IN MAIL VOLUME

Mr. PILLION. Mr. Chairman, I think the main matter developed in the testimony this morning was that over the past 3 years at the rate of 3 percent per year the volume increased approximately 9 percent, without compounding each year. On the other hand, the rents and leases over the past 3 years have increased 52 percent and if you compounded that it would be pretty nearly 60 percent. That is just an indication of how these lease costs are jumping.

I have a further figure here that the rents and leases for 1959 amounted to $41 million and in the 1963 estimate we have a cost of $75 million, showing an increase of almost 100 percent in the period of roughly 4 years.

We further developed this morning in a very general way that the $500 million modernization program that Congress had authorized back in 1958 of course has no application here. It is not a limitation nor a restriction nor a control upon the overall construction program so that it develops that apparently there is no legislative restriction or limitation or control upon this whole construction and lease program.

FUTURE PROGRAM FOR RENTS AND LEASES

There appears to be no definite program that this committee can consider developed by the Post Office Department for any lawful control or limitation upon the overall future program for leases and rents.

I wondered if the Department could not furnish to this committee a list, or the amounts and possibly a listing of major post offices, that might give to this committee some idea of when we reach the satura-

tion point in this rent and lease program and whether or not it is going to begin tapering off, and when. I would like to know what is the life expectancy of these buildings, the 28,000 buildings that we have. We might then have some idea of where we are going in this thing and when we can expect perhaps a decline in the rental and lease construction programs.

Mr. GARY. Or at least a halt.

Mr. PILLION. Just so long as we have a reasonable program, based upon facts and studies and investigations so that they have a projection.

Mr. GARY. You said when we may expect a decline or a halt in the program. It is questionable in my mind whether the costs will ever decline after you have entered into these leases. I am like you, as I told you. I think a good many Members of the Congress are very much concerned about the tremendous increases in this lease program and if there is any information we could get as to where we are going and what the probable future is, it would be very helpful.

Mr. BRAWLEY. Mr. Chairman and Congressman Pillion, what kind of a target date do you have in mind for this kind of information?

Mr. PILLION. I think a 5-year projection might be a reasonable one, and one that is not too much in the area of speculation, don't you think?

Mr. BRAWLEY. I was thinking more in terms of what kind of a target date do you expect to receive this information from us.

Mr. PILLION. Mr. Chairman, what is your opinion as to this?

Mr. GARY. How long would it take you to get it up?

Mr. BRAWLEY. My first opinion is that this is a pretty large order.

Mr. PILLION. It is. It requires an awful lot of study.

Mr. BRAWLEY. It would require a lot of study and additional personnel, or at least part of our present program would have to suffer. I believe the kind of information you want would necessitate a complete review of our present facilities.

Mr. PILLION. That is right. It would. I thought you had it. I do not understand how we can proceed unless you have as a background the complete digest of your facilities and the prospects of which ones will have to be replaced or displaced.

Mr. BRAWLEY. We have a general idea, and we do make a thorough study when it is suggested that a new building or modernization is needed. But you are talking about the overall review of all of our facilities at one time, which I think would be quite a job.

Mr. PILLION. That is right.

Mr. BRAWLEY. I think we would have to give this some thought and maybe come back to the committee and tell you how long it would take, whether it would require any additional funds or whether we would have to let some of our present programs suffer in order to get this kind of information.

I think you are right. I think it is needed. I think it is a target we should shoot at.

Mr. PILLION. I am sure you would recognize, this is essential to a sound futuristic approach.

Mr. BISHOP. For the benefit of the chairman, I would like to repeat a comment that I made this morning after you left the room; and that is in relation to the creation of the Realty Branch in our reorganized Bureau of Facilities.

The initial step in looking at the total space problem is one of the functions that has been assigned to this newly created branch. As the Deputy Postmaster General has mentioned, we are dealing in a large universe. Twenty-eight thousand leased, rented, and Government-owned post offices, other than fourth-class offices, are of a continually changing nature, and the magnitude of a study for sound projections over a long-range period is a project of substantial scope.

Mr. PILLION. May I make this suggestion? You probably could not do it without rushing it prior to our acting upon this bill and if that is so, Mr. Chairman, then maybe a period such as October 1 might be a reasonable period, after you have gotten rid of the Senate and the House hearings and the taking up of the time of your staff in testimony.

Would October 1 be a reasonable approach?

Mr. BRAWLEY. I think we would like to take a look at what we have, take a look at the magnitude of this, and come back to you before you act on the appropriation and set a target date for it.

Mr. GARY. That is what I would suggest. You have heard Mr. Pillion's suggestion and I would suggest that within the next 2 or 3 days, before we complete our hearings, you give the matter some thought and see what information is available and then report to us before the committee completes its hearings as to when you think you can complete a study of this kind and give us some idea as to what it would involve.

Mr. PILLION. Thank you. I think that would be very agreeable, Mr. Chairman.

Mr. GARY. We will be in hearings for the next 2 or 3 weeks and we can make arrangements to hear you someday at the conclusion of our Treasury hearings.

You can bring the information in. We can sit down and discuss it then.

Mr. PILLION. I think it would be most helpful to the Department itself if you had that information.

Mr. GARY. I think it is a good suggestion. I thought recently a study had been made of all Government buildings and facilities.

Mr. PILLION. But not that kind of a study.

Mr. BRAWLEY. Not the kind he is talking about.

Mr. PILLION. It was an inventory of the cost of the buildings and properties in the United States.

Mr. GARY. If you have an inventory of the properties of the Post Office Department that would be the initial step.

Mr. PILLION. That is a starting point.

Mr. GARY. Of course, you have to go beyond that. I understand that. That at least would reduce the study.

Mr. PILLION. If we have a backlog of $500 million we can sit down and say, "Here is what we think ought to be a reasonable rate at which we do this." Then if you have a variation of 1 or 2 years, for a good reason, all right.

Mr. BRAWLEY. This should be a well-planned and well-thought-out study.

INCREASE IN RENTALS

Mr. PILLION. I note that the increase in the rentals for the year 1963—this is page 41.1—will be $8,400,000 and assuming that that

represents roughly 10 percent of the capital costs as a rental, using a rough figure, then your construction of buildings that you will lease and occupy in 1963 and pay rent for will amount to about 10 times $8 million, which will be $80 million.

It might be that if there is a deceleration of the replacement of these buildings that we might be able to think in terms of construction by the Post Office Department. What I am thinking about is, we are paying $87 million a year in rentals and it is a big sum and it will never be any less and that there might be a ground here for a study or a consideration going into construction by the Post Office Department so that you will not have any rentals once you make the capital investment.

I wondered if some thought could be given to that?

Mr. BISHOP. Congressman, I would mention that the Post Office Department has requested GSA to proceed in connection with one project on a pilot basis to determine the time and availability of funds for construction of a Government-owned post office building.

Mr. PILLION. Could that be weaved and worked into this other program that you are talking about as an addition to the report we are thinking about?

Mr. BISHOP. Actually, there may not be sufficient data available from the one project to be of material benefit to a study of the magnitude suggested regarding leasing.

However, certainly at least from the theoretical standpoint, it could be taken into account in connection with the study that has been suggested.

BUFFALO PROJECT

Mr. PILLION. There was a mention made here of a time element. In your contracts I note that the Buffalo contract had a rather—perhaps not crash program type contract, but it was a time limitation. Is it possible that by extending the time on the construction period that you would be able to get much better prices? In other words, not to tie the contractor down too much on a time basis, to give him a little more elbow room?

I am afraid some of your contractors here are figuring on sort of a crash program and you do not give them enough time, which of course increases your costs.

Mr. BISHOP. Subject to correction upon discussion with the staff, it is my recollection that projects of that variety are bid with an open completion date and that the bidder designates the date of completion.

Mr. PILLION. I am glad to hear that because I think that is a saving. A crash program is not required in most of your projects.

Mr. BISHOP. That would be my understanding.

EXERCISE OF OPTIONS TO PURCHASE BUILDINGS

Mr. PILLION. Again, in the Buffalo contract, we had a bidder in Buffalo who bid high in the rents but his offer to sell, the purchase offer, was so much lower than the low McCloskey rental bid, that they figured the Government would be much better off to have paid the higher rent and exercised the option at a much lower cost.

The Department informed me that the major factor, or perhaps the determining or the only factor that the Department considered

was the amount of the rental rather than the option to purchase, which I can well understand because there is no program set up by Congress to appropriate funds for the exercixe of purchase options, I can understand the position of the Department. The thing that I cannot understand is that, regardless of the testimony given here that your information is that the option provisions do not increase the rents, I know they do. As a practical matter I am not going to just give you a rental at the same price I would give you a rental in which you had an option to purchase at the end of 10 or 20 years. I am wondering if you could work out a program along with this same other study that might recommend how these options can be exercised because they are senseless if there is never going to be an exercise of those options. It is foolishness. I wonder if there are not some presently leased buildings with options that might be to the advantage of the U.S. Government to exercise their options. So far I have heard nothing about it.

I wondered if you could also in this same study give to this committee some idea of the options that are now being held or are now held by the U.S. Government and when the exercise date may be and whether or not there is any advantage at the present time, based upon costs of reproduction or present comparable lease cost in the area so that if there is an advantage this committee and Congress ought to know about it and you ought to know about it also.

Mr. BISHOP. Congressman, we would be most happy at your suggestion to provide the committee with the information on the options on the cases that we have under lease at the present time.

Mr. PILLION. I know this is a big project.

Mr. Chairman, and Mr. Conte, are you gentlemen in agreement with having that kind of a report before us?

Mr. GARY. Yes.

Mr. CONTE. Yes.

(The information requested follows:)

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Options to purchase [1] major facilities already leased or on which agreements to lease have been entered [2]

Facility	Commencement of lease term	Interior and platform (square feet)	Annual rentals						
			Basic 30-year lease term	Renewal options					
				1st additional 10 years	Next additional 5 years	Next additional 5 years	Next additional 5 years	Next additional 5 years	Next additional 5 years	Next additional 5 years
	(Actual)								
Flint, Mich.	January 1960	150,274	$225,502	$91,250 (Estimate	$76,250 (Estimate	$56,250 (Estimate				
Detroit, Mich.	March 1961	1,064,392	1,801,473.33	1,127,000	877,000	867,000	$862,000	$857,000	$852,000	
Springfield, Mass.	November 1960	168,323	345,840	280,000	270,000	260,000	250,000	200,000		
Hollywood, Fla.	August 1961	52,720	68,000	38,500	38,500	38,500				
Greenville, S.C.	November, 1961	98,744	127,800	88,900	78,900	73,900				
Spokane, Wash.	September 1960	148,335	215,950	119,200	108,200	97,700				
	(Tentative)									
Portland, Oreg.	May 1962	417,572	692,100	377,000	257,000	197,000	137,000	137,000	137,000	$137,000
Houston, Tex.	September 1962	536,178	861,176	575,000	480,000	430,000	390,000	380,000	380,000	380,000
Harrisburg, Pa.	February 1962	258,936	612,000 (Basic 20 year lease)	376,380	286,110	286,110	241,740	195,840	195,840	195,840
Edgewater, N.J.	July 1962	114,389	164,890	130,000	110,000	95,000	95,000	95,000		
Grand Rapids, Mich.	November 1962	265,955	429,720	286,000	240,000	240,000	223,000	223,000		
Philadelphia, Pa.	February 1962	209,284	480,000	300,000	300,000	250,000	225,000	200,000	190,000	190,000
El Paso, Tex.	April 1962	120,836	155,831	120,797	114,958	109,119	108,000	105,000		
Cincinnati, Ohio	November 1962	307,934	705,000	465,000	420,000	405,000	380,000	360,000		
Omaha, Nebr.	May 1963	353,164	540,000	525,000	300,000	275,000	250,000	225,000		
Buffalo, N.Y.	May 1963	578,828	932,000	560,000	420,000	373,000	373,000	373,000		

Facility	Commencement of lease term	Purchase options									
		During basic lease term			At end of renewal options						
		End of 1st 10 years	End of 1st 20 years	End of 1st 30 years	End of 1st additional 10-year renewal option	End of next additional 5-year renewal option	End of next additional 5-year renewal option	End of next additional 5-year renewal option	End of next additional 5-year renewal option	End of next additional 5-year renewal option	End of next additional 5-year renewal option
Flint, Mich.	(Actual) January 1960	$2,975,000	$2,275,000	$1,525,000	$1,125,000	$875,000	$725,000				
Detroit, Mich.	March 1961	21,700,000	17,300,000	11,000,000	(Estimate 10 years) 8,800,000	(Estimate 2d 10 years) 6,000,000	(Estimate 5 years) 5,500,000	(Estimate 2d 5 years) $5,000,000	(Estimate 3d 5 years) $5,000,000	(Estimate 4th 5 years) $5,000,000	
Springfield, Mass.	November 1960										
Hollywood, Fla.	August 1961			750,000	700,000	650,000	500,000				
Greenville, S.C.	November 1961			900,000	800,000	700,000	700,000				
Spokane, Wash.	September 1960 (Tentative)	2,500,000	1,750,000	1,250,000	1,000,000	800,000	600,000				
Portland, Oreg.	May 1962	11,000,000	9,000,000	818,700	503,600	383,600	323,600	263,600	263,600	263,600	$263,600
Houston, Tex.	September 1962	10,200,000	7,800,000	4,490,000	3,900,000	3,345,000	2,790,000	2,790,000	2,790,000	2,790,000	2,790,000
Harrisburg, Pa.	February 1962	7,750,000	6,500,000	4,256,000	3,420,000	3,420,000	2,280,000	2,128,000	1,900,000	1,900,000	1,900,000
Edgewater, N.J.	July 1962	1,775,000	1,250,000		1,000,000	900,000	800,000	700,000	600,000		
Grand Rapids, Mich.	November 1962	6,000,000	5,238,000	3,750,000	3,100,000	2,500,000	2,000,000	2,000,000	2,000,000		
Philadelphia, Pa.	February 1962	7,250,000	6,000,000	3,750,000	3,000,000	3,000,000	2,100,000	2,100,000	1,750,000	1,750,000	1,750,000
El Paso, Tex.	April 1962	2,000,000	1,650,000	1,250,000	1,000,000	990,000	980,000	975,000	950,000		
Cincinnati, Ohio	November 1962	9,000,000	6,750,000	4,500,000	4,000,000	3,500,000	3,100,000	2,750,000	2,750,000		
Omaha, Neb.	May 1963	7,250,000	6,000,000	3,700,000	3,000,000	2,500,000	2,500,000	2,500,000	2,500,000		
Buffalo, N.Y.	May 1963	11,000,000	9,500,000	5,900,000	4,800,000	4,500,000	4,000,000	4,000,000	4,000,000		

[1] See supplemental statement following.

[2] Not including Providence, R.I.

SUPPLEMENTAL STATEMENT—OPTIONS TO PURCHASE

MAJOR FACILITIES ALREADY LEASED OR ON WHICH AGREEMENTS TO LEASE HAVE BEEN ENTERED

The following is typical of the clause which has been used:

"In consideration of the award of this lease contract, the Government shall have the option to purchase the fee-simple title to the leased premises, including the underlying land, at the following respective times and prices:

(a) At the end of 10th year of basic lease term..... $.....
(b) At the end of 20th year of basic lease term..... $.....
(c) At the end of basic 30-year lease term..... $.....
(d) At end of 10-year renewal option term..... $.....
(e) At end of first 5-year renewal option term..... $.....
(f) At end of second 5-year renewal option term..... $.....
(g) At end of third 5-year renewal option term..... $.....
(h) At end of fourth 5-year renewal option term..... $.....

all [in accordance with any applicable Federal statutes and regulations in effect now or hereafter while this lease is in effect; provided, however, that the Government shall give the lessor notice of election to purchase at least 1 year in advance of the respective times set out next above."

The use of options to purchase has been comparatively recent, and it will be 1970 before any options to purchase on major facilities could be exercised.

These options to purchase provide an additional means of protection to the Government. The Government thereby has a contractual right to purchase at various times during the basic lease term and during renewal terms in the event that future circumstances make it economically sound and feasible to do so.

Mr. BISHOP. I could add, Congressman, that in connection with the Buffalo bid there was a 10-year option. Frankly, until it was brought specifically to my attention, I had not been aware of the 10-year option on the Buffalo bid. Normally I would think that an option to purchase on a facility of that size and having the likelihood that it does of longer term occupancy would not likely be exercised at the 10-year level.

However, it would at the 20-, or at least the 30-year level at the end of the basic term.

I should mention to you that for purposes of determining the low bidder, the options to purchase cannot be given great weight. However, I am sure you will be interested in knowing that once the low bidder was selected and is selected in such cases, the option figures that he submits are not necessarily the final ones, and the Department exerts every effort to negotiate downward on those purchase options. The Department was able to obtain a substantial reduction in the options that were bid by the successful bidder on the Buffalo project.

In connection with potential ultimate savings asserted to be obtainable by exercise of options by one unsuccessful bidder to the Department it is my recollection that he posited the refinancing of the option price at the 10-year level. He did not in his calculations, as I recall it, include any room for the cost of taxes or insurance for the 11th through the 30th year on his calculations. Upon positing a reasonable allowance for taxes and insurance the net cost to the Government for the total 30-year term would have been in excess of the basic 30-year term bid by the successful bidder. For the purpose of determining the successful bidder, we could not allow the assumptions posited by the unsuccessful bidder to whom I have referred.

DATA PROCESSING EQUIPMENT

Mr. PILLION. I note you refer to data processing equipment. The decrease is $25,000. Is there any large program for data processing equipment in the future that you know of.?

Mr. THOMASON. I recall last year this committee raised some very searching questions about the Department's data processing program and you brought out the fact then that practically all of our equipment was from one company. Since then we have begun a major examination of not only the equipment that we are now using but our future needs and we are in the process of reviewing everything that we do to find out how much can be put on data processing and also the kind of data processing equipment that we should be getting in the future. I would say within the next year we will be in position to tell you and tell the committee just which way we are going on this. We are at this stage of the game not planning to change what we have until we know what we need.

Mr. PILLION. In this study that you are making I would like to call to your attention a study that was just delivered to this committee—was that by the GAO or by the staff, on the data processing equipment? I understand it was by GAO. The gist of that report was that if you used a machine for a period of anywhere from 2½ to 3 years, it would be cheaper to purchase it rather than lease it. I just call that to your attention.

Mr. THOMASON. We certainly are taking advantage of their report on this.

Mr. PILLION. If you will study that and give it weight in your consideration.

Mr. THOMASON. We certainly shall.

COMMITTEE LIMITATION ON NUMBER OF NEW FACILITIES

Mr. PILLION. If there were to be a limitation by this committee on the number of new starts in this next year and the committee decided to make it 900, 950, or 600 starts instead of 1,000 or so that you contemplate in this budget, would it be possible to have the reduction made on the basis of your needs for the facility rather than just take the cheapest ones or the least costly ones and say, "We will cut off the cheapest ones and continue the higher cost ones?"

Would there be a way in which you could say, "We will take the ones that are most needed out of the 900," that we will say the committee has made a limitation upon?

Mr. BISHOP. Congressman, I would have to point out that the net impact, the net increase contained in the 1963 rent request of the approximately 1,000 buildings that are estimated for award during fiscal year 1963 will only be about $175,000. We estimate that the ultimate net increase in rents for a full year's occupancy of these 1,000 buildings will be about $11 million. The big bulk of the rental on the facilities to be awarded during 1963 will begin to fall in 1964 and 1965 because of the lead time from award to occupancy. The 1963 request, exclusive of the total of $10 million for the reimbursable site fund, represents a projection practically in toto of contractual obligations that are presently on the books or that will be on the books by June 30, 1962.

Mr. PILLION. That reminds me. As Mr. Alexander expressed a great concern, and made a correction of the cost of rentals, can you give us in this study the rentals and the increase in the rentals, based upon your present commitments and contract authority to be given in 1963 so that when all these are constructed, we will know whether our lease cost, based upon today's, 1963 contract authority, will be $75 million or $150 million or $200 million? May we have that? That is something perhaps that could be furnished maybe without too much difficulty.

Mr. BISHOP. Approximations could be made.

Mr. PILLION. May we have that before too long, say in a week?

Mr. BISHOP. I believe so.

Mr. PILLION. May we put that in the record, Mr. Chairman?

Mr. GARY. Without objection it will be inserted in the record.

Mr. BISHOP. We will be glad to furnish the projections of this nature.

(The information supplied follows:)

The studies on which the rental estimates for 1963 are based start with an actual annual rental rate, as of June 30, 1961, of $57,768,000. The actual rental rate as of October 13, 1961, was $60,376,000, an analysis of which follows:

Type of contract	Number of contracts	Number of square feet (thousands)	Annual rental rate (thousands)
Lease	9,574	41,210	$51,895
Rental agreement	15,324	11,322	8,481
Total contracts	24,898	52,532	60,376

Based on present commitments and estimated changes which will occur by June 30, 1962, including the occupancy of newly constructed buildings, the annual rental rate for all buildings actually to be in service on that date will be approximately $67,032,000. Giving effect to present commitments and estimated changes, the annual rate of buildings occupied as of June 30, 1963, is estimated at $79,114,000. This estimate assumes that all construction awards through June 30, 1962, will have been completed by the end of fiscal 1963.

As previously indicated, the estimated payments for 1963 also include approximately $175,000 for the net increase in rent resulting from occupying an estimated 275 new buildings of the approximately 1,000 for which contracts are planned for award in 1963. When all of these 1,000 buildings are completed, the net additional annual rent attributable to them will be about $11.6 million. Of this $11.6 million, $3.1 million is the estimated increase in rent in locations where other buildings are presently leased or rented. In general they are smaller post offices where more adequate space is mandatory or the contracts cannot be renewed. Eight new major facilities account for $5.7 million of the net additional annual rent. The remainder of the increase, or $2.8 million, is estimated for new leases replacing Federal buildings which are to be vacated, wholly or in part.

It is estimated that the annual rental rate for the 725 buildings expected to be under construction on June 30, 1963, will total $12.5 million. However, the net effect of these buildings on annual lease costs when occupied will be only $10.8 million since some will be in replacement of expiring lease contracts totaling about $1.7 million.

It is most important to note that even if the Department were to make fewer awards for new buildings than the 1,000 which are estimated for 1963, some action would be necessary in practically every case where a new building award would not be made. Additional costs would be involved in almost any arrangements which might be tried in such cases. The magnitude of such costs, even for temporary measures, would be most difficult to predict, and inefficiencies in operations would no doubt also contribute to substantial added costs.

From an operating point of view, construction of the approximately 1,000 new facilities will provide badly needed workroom space and platform and maneuvering area to handle the constantly growing mail volume in a more efficient manner. Provision of such space and areas in one facility tends to eliminate rehandling of mail, eliminates delays caused by waiting for platform space, and avoids delays caused by shuttling of mail between two or more facilities before the processing is complete. Deadheading by vehicles is reduced.

Modern, well-lighted buildings, air-conditioned when advisable, improve service through higher employee morale, and should save loss of man-hours by tending to reduce absences. Through the use of machinery which has demonstrated its usefulness and efficiency, drudgery will be reduced.

Where new buildings are supplied, the Post Office Department can be confident that, barring unexpected and drastic changes in originating mail volumes, the mail load of the community can be handled efficiently for from 10 to 20 years. This is due to the fact that projected growth of the community is taken into account, and the space and equipment required is determined by well-planned criteria based on actual operation-tested situations. The new buildings usually replace outmoded ones which cannot be satisfactorily modernized to meet present-day space and operational needs. In the case of the largest facilities, modern equipment cannot be satisfactorily installed in existing buildings for optimum operating efficiency and space utilization, whereas in new construction buildings can be functionally designed to accommodate the equipment and functions to be housed therein.

The new buildings are more suited to and compatible with the changing transportation patterns and facilities and delivery service requirements, which in many cases have materially changed since occupancy of the old buildings.

Modern, well-designed and functional buildings, made easily accessible to the public by provision of patron parking, are assets to the community.

Through consolidation of supervision, elimination of duplicate and excess travel, and improvement in morale, health, and efficiency, it can be reasoned that some monetary savings will accrue, even though the rent costs of the new facilities will be greater than what is now being paid.

PRIORITY OF FACILITY NEEDS

Mr. GARY. In the military construction program they have priorities for the various projects. They name them in order of priority and each project has a priority number.

What consideration, if any, have you given to a program of that kind?

Mr. BISHOP. In terms of our major projects in the planning process, we have priority categories on the basis of relative needs. Workload of our people is assigned on the basis of those categories, so we have recognized generally greater needs. The programs that have been used in the past in abandonment of Federal buildings have been on the basis of most urgent need as determined by our regional officials.

Also, I do want to mention the fact that we have stopped the previous program of the Department which was resulting in almost automatic new construction of facilities in practically every case where a lease or a rental agreement expired. We now require that attention be given to staying in existing buildings rather than the automatic construction of new buildings.

Mr. PILLION. Mr. Chairman, and I think you stated here this morning that you are giving consideration to permitting present lessors to build additions, which I think ought not to be overlooked by the Congress.

Mr. BISHOP. Yes.

Mr. GARY. And to expand their parking facilities et cetera. One of the greatest needs in the modern post office that is frequently lacking in these old leases is sufficient ground for parking facilities and handling trucks on the outside of the building.

I understand you are giving them opportunities to expand or to improve those facilities also?

Mr. BISHOP. Wherever a facility can be brought up to current standards.

Mr. GARY. Wherever it is possible?

Mr. BISHOP. On an economic basis; that is correct.

Mr. GARY. Mr. Alexander?

Mr. ALEXANDER. Generally speaking, in my area I think you have done a good job and from what I have heard I certainly agree on your endeavor now to continue to give better facilities, but to certainly scrutinize the present buildings with an idea of expanding them with better space, more parking, et cetera, where it can be done reasonably.

EMPLOYMENT—BUREAU OF FACILITIES

How many employees do you have in your Bureau of Facilities?

Mr. BISHOP. In the Bureau, in headquarters, approximately 147. In each of the 15 regional offices we have a counterpart of the headquarters Bureau of Facilities, presently headed up by a regional real estate manager, on whose staff are a number of real estate officers. It varies by region, depending on the workload, as to how many there are. I would be glad to furnish the total figure.

Mr. ALEXANDER. Are those real estate people part or full time?

Mr. BISHOP. They are full-time employees of the Department.

Mr. ALEXANDER. Is your number fairly stable or has it been changing a great deal?

Mr. BISHOP. The aggregate number is fairly stable. There is some turnover. I might also mention that in the process of providing space, more than the Bureau of Facilities at headquarters and more than just its field counterpart are involved. The Bureau of Operations and its field counterpart provide competent technical work in determining the space and operating requirements. The Office of Research and Engineering headquarters and its regional counterpart, the organization of the chief regional engineer, provide the technical engineering work that needs to be done.

Mr. ALEXANDER. Your people will cross over departmental lines in, say, plant and equipment work, or is it strictly in facilities?

Mr. BISHOP. Essentially the entire process of providing completed work crosses bureau lines. The ultimate contracting authority in all except research and development contracts, which are solely within the Office of Research and Engineering, resides within the Bureau of Facilities.

ADVANTAGES OF LEASES VERSUS PURCHASES OF PROPERTY

Mr. ALEXANDER. I have been interested in this question of the advantage of leased property as against the purchased buildings. I understand, as you say, that most chainstores and big businesses that need a great deal of capital for the operation of their business use the lease method but I think that one of the main reasons that they use the lease method is because of income taxes.

Rent would be all taken off in 1 year as against a capital outlay program. That particular argument would not be present in case of the Government doing this. I realize you would have to take into

consideration, particularly since we are so far in debt, the interest involved to pay that off; but I wonder if you have made any study or if there is any particular way that you could compare the cost per square foot of leased space as against the cost per square foot of owned space, considering the lifespan of a building or something of that kind? Has there been any tangible study that has been made on that?

Mr. BISHOP. The Department has given some study to the general area. In terms of specific documentation on a square foot basis I do not believe we have documented figures at the present time. To the extent that income taxes must influence corporate enterprises, certainly the Government is in a different position. However, we feel that one of the principal reasons that corporate industry utilizes the leasing method in acquisition of space is in the problem of providing capital, and the Government is in essentially the same position.

Were the Government to have built the buildings that the lease construction program has provided since 1954, approximately 10 to 11 times the amount of the rentals on the new buildings would have been required for capital construction costs.

The total capital impact would have been tremendous.

There are other advantages to the leasing method of acquiring property in terms of providing flexibility for the Department, both with respect to the time of acquisition and the potential for disposal of properties. In our days of fast changing patterns of transportation, the continuing change from rail transportation to truck transportation, in our times of continually changing population patterns, the potential for subleasing that a leased multipurpose building may provide for removal at little or no cost to the Government from premises rendered obsolete by such changes is certainly an advantage.

As you know, in our lease construction program, maintenance is often a responsibility of the landlord, and he provides insurance coverage on the premises as well.

Mr. ALEXANDER. I realize that but we have to pay for it in the long run. It is taken into consideration in the overall lease so actually it seems to me if it were bound to be to our advantage to build the buildings and pay for them on a monthly basis as rental, that there could be ways and means of financing, providing it was shown to the satisfaction of this committee and the Congress that that was a more economical and a better way to do it.

The thing that interests me is this: If your study could show that, I think it would then be up to us to figure out some way to give it to you. I realize in the program of leasing buildings that you have been able to give to the people service and facilities maybe tenfold more than you would have had the Government been paying for it fully in any one year—but I think in this time of term payments that we could figure out some way that it could be done, providing it was economically to our advantage to do so.

Mr. BISHOP. As I mentioned a little earlier, the Department has taken some steps in this direction, and in cooperation with the General Services Administration we hope to have a Government-built post office project on a pilot basis that may be most helpful in determining comparative costs and to determine the problems on a firm basis.

Mr. ALEXANDER. I can see where with the tremendous growth and change in population there is certainly a number of major considera-

tions. However, if there is a great differential in the overall yearly cost I think those things could be worked out in another way.

Mr. PILLION. I, too, recognize the difficulty in asking for, say, $400 or $500 million a year of construction to meet a crash situation, and based upon that very thought, Mr. Alexander, we discussed prior to your coming in here a study to be made by the Department as to the needs in the future to determine if and when the need drops to a point where we are not in a crash program that we might give consideration to the possibility of shifting over from a lease-construction idea to construction by the Government.

Mr. ALEXANDER. I think it certainly merits some study and serious consideration.

Mr. PILLION. I might say along those lines that while there are some advantages to leasing, of course, most commercial people lack capital, and if they do have capital they want to expand their businesses where their rate of return ranges anywhere from 8 to 10 percent. They do not wish to put their money into real estate when their business returns 8 to 10 percent and real estate investments generally bring a smaller return.

On the other hand, much of this construction is based upon an interest rate alone of between 5½ to 6½ percent whereas the Governments enjoys—I don't know for how long—somewhere around a 4 percent rate on that type of money.

Mr. ALEXANDER. That is all I have.

Mr. GARY. There was this consideration, and that is the reason I asked the question this morning: The Post Office Department at one time had a policy of using Government construction for the main post office buildings because they are usually more or less fixed and the location does not change a great deal, whereas in the branch post offices that are established, particularly in the cities, the population is fluctuating so greatly that from time to time it is advisable to change the location of a branch office, and it is much easier to change a location if you have a leased building than it is if you have Government-owned property because then you have to go through all the ramifications of disposing of Government property. If you have a lease you can just cancel the lease and move on somewhere else. I know we had that situation in Richmond. A post office was built in Richmond by the Government some years ago. It was a branch office. Today that office is not needed. They had to open a new branch in a rapidly growing industrial area and this new branch office could have filled the whole need. There was difficulty in disposing of the old branch office, however, because it was Government-owned.

Mr. PILLION. It will be difficult to dispose of the new properties where they are built essentially and primarily for mixed uses of the post office, instead of being just a brick building in the middle of town which if it is not a post office could become a shoestore or something else. You will not be able to do that with the large facilities, such as at Buffalo.

Mr. BRAWLEY. Several suggestions have been made as to how things such as this can be accomplished. I think we have a little over $700 million in the postal savings fund which is earning a little over 3 percent interest. We pay the depositors 2 percent. The Government contributes something over $180 million a year as outlined in this budget to the Federal retirement for employees.

These funds are invested in Treasury bonds and are earning a little over 2 percent in interest.

A suggestion was made that we could use that money to construct post office buildings. The funds would own the property, the Government would benefit and the employees fund would benefit because it would draw higher interest. There are many possibilities.

Mr. PILLION. Would you also put that in that other report we are talking about?

Mr. BRAWLEY. Off the record.

(Discussion held off the record.)

Mr. GARY. Mr. Steed?

Mr. STEED. I have no further questions.

Mr. GARY. Mr. Conte?

Mr. CONTE. One thing which has not been mentioned, Mr. Bishop, as to the reason it is advantageous to have these buildings on a leased basis, is that it brings real estate tax to the community.

Mr. BISHOP. That is certainly correct. From the local municipal government standpoint, with whom we must deal in many cases in relation to sites and meeting local requirements, it is certainly an advantage to the local community to have these properties remain on the local tax rolls.

Mr. CONTE. There was mention made of building so many of these post offices within a short period of time. Someone mentioned they should be looked over very carefully and they should be built only where essential. This is fine. There is a benefit to building post offices on a crash program where they are needed because history shows there has been a higher building cost from year to year, and therefore in the long run you are saving money in the way of building costs if you build with a crash program where the buildings are actually needed.

Mr. BISHOP. We have so many where the needs are so great that there would be sound justification for the number of post offices that have been built. We would propose that our rate of acquisition of new facilities be at as high a rate as possible in an orderly fashion so that we can get caught up for those long years during which there were no additions to the postal plant.

Mr. CONTE. If done in an orderly fashion in the long run you will save money because statistics show that buildings costs keep going up the longer these things are prolonged.

Mr. BISHOP. That is so long as construction costs continue to rise.

Mr. NICHOLSON. On your comment about the payment of local taxes, there is another point this committee might be interested in. When the lessor builds a building the cost of construction is financed by him. The interest cost on the money he must provide for that construction is included in the costs which are recoverable through rent.

Therefore when we pay rent we are paying partly for the interest on the money involved in the construction. Under this process this interest cost becomes part of our basic costs for ratemaking purposes. Consequently, assuming we successfully comply with the Postal Policy Act and have a rate structure which causes the users of the mail to pay the cost of the mail, the costs of interest in building buildings is properly paid for by the beneficiaries of those buildings, the users of the mail.

Contrarywise, when the Government builds a building, the financing cost is a cost to the Government, too, but in this case the interest cost on Government financing is not, it has been found by the Controller General, properly charged to our costs for ratemaking purposes.

This is not the reason we use lease construction. There are more basic reasons. However, the differential in borrowing costs, which are the only true differences in costs between leases versus Federal construction, this difference becomes moot if we get the kind of rate bill through the Congress we hope to get and find a balance whereby the users of the mail pay for the cost of the mail service. The users of the mail pay for this interest, and it is more proper than charging the taxpayers in general.

Mr. GARY. Off the record.

(Discussion held off the record.)

Mr. PILLION. The reverse of that point is the fact that a person who builds a $10 million facility for the Government and borrows almost all of the $10 million, all of that is nontaxable. The interest on that mortgage is deductible as an expense, so you have a loss to the Government of that amount.

Mr. NICHOLSON. There is still another side to that coin, sir. The person to whom the lessor pays the interest pays the taxes on that income to him.

Mr. GARY. There is not much escape from taxes.

PROVIDENCE POST OFFICE

Mr. CONTE. Some mention was made this morning that the Providence post office is working out much better than initially, and one of the reasons given is that some of the kinks were taken out and post office personnel has been placed in the management of the Providence post office. Does this mean some of the duties have been taken over from the I.T. & T. people?

Mr. BISHOP. No, that had reference to the installation of a new postmaster in place of a previous postmaster.

Mr. CONTE. The I.T. & T. people are still there.

Mr. BISHOP. They are performing the maintenance on the building and on the machinery as they were at the time of the commencement of the occupancy of the building, yes.

Mr. CONTE. Didn't we also have some supervisors there?

Mr. BISHOP. They have a management organization, whose offices are within the building, for the maintenance force. I believe the total number of employees they have, the Intelex Corp., has in the premises is about 68.

POST OFFICE AT PITTSFIELD, MASS.

Mr. CONTE. I have been intrigued by all of these post offices going up all over the country. Last year on page 273 of the hearings you were asked about the Pittsfield post office which has been kicking around for a good many years. I think this is one where we can say a good deal of study and planning has been spent. At that time you intended to let bids out by June 1 of 1961 and you were going to vacate the present post office by June 1 of 1962. We still have the old post office and very little has been done about constructing a new one.

Can you give us a report on that?

Mr. BISHOP. Yes, I would be glad to. There has been some delay. At the present time, however, this is our schedule: based on acquisition of the site that is presently under consideration there in Pittsfield, based on our capacity to obtain options on this property, the negotiations for which are underway at the present time—appraisal is actually being made at the present time—we would anticipate that our designing and planning progress would enable us to make an award of an architectural contract in the fall of this year and award of a construction contract in the summer of 1963, directed at occupancy in 1964, perhaps early in the fall of 1964. That is our present programing for Pittsfield.

Mr. CONTE. I hope you will stay with this because I got somewhat carried away last year. I said I wanted to compliment the Post Office Department and the new administration for this fast action.

Mr. BISHOP. I will call your attention to the fact that this will be a leased facility. Consideration had been given to utilization of the present Federal post office by extension and modernization, but it was felt the better economic end would be reached by proceeding on a leased basis. This means getting a site satisfactory from an operational standpoint.

I am happy to be able to report that progress has been made. I would caution any postal official who is talking about scheduled events such as this. Any one particular project is subject to acceleration or deceleration depending upon many problems that can develop during the planning and processing stages.

We will do our best to keep on our present planning schedule or even to better it if we can.

However, as with any other, it is subject to change depending on what circumstances we will run into in the future that we may not be able to anticipate today.

Mr. CONTE. I hope it will not be decelerated any more, I would like to be young enough to enjoy it. Originally when this was planned it was said they would build the outside of it in such a way as to blend in with the mode and architectural design of the city. In Williamsburg, for example, I understand your architectural design fits in with that of that particular community. Do you still maintain this policy?

Mr. BISHOP. Yes, unless economic considerations make it impossible to do so, we would always attempt to have our exterior elevations blend in with the surrounding community.

Mr. GARY. Off the record.

(Discussion held off the record.)

Mr. CONTE. That is all I have.

Mr. GARY. Are there any further questions?

If not, thank you, Mr. Bishop, for a very enlightening hearing. We shall look forward to the information that you will supply us in the hope that we can work out some long-range and stabilized plan in the post office facilities.

Here again I think our emphasis should be on trying, as policies with reference to replacement in other programs, to stabilize it so we can stretch out some of these heavy expenditures over a period of years rather than have them come all in one year. There has been a

definite feeling among some of the Members of Congress, I know, that this program has been accelerated too rapidly in the past.

(Discussion held off the record.)

PLANT AND EQUIPMENT

Object classification

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
22 Transportation of things	2,435	3,171	3,357
25 Other services	57,540	47,587	41,330
31 Equipment	54,325	50,242	74,363
32 Land and structures	3,420	4,000	2,950
Total obligations	117,720	105,000	122,000

Program and financing

[In thousands of dollars]

	1961 actual	1962 estimate	1963 estimate
Program by activities:			
1. Federal buildings improvement (obligations)	60,960	51,587	44,280
(Funded operating costs)	(192)	(------)	(------)
(Funded capital outlay)	(31,576)	(48,579)	(47,226)
(Change in resources on order)	(29,192)	(3,008)	(−2,946)
2. Major mechanization projects (obligations)	10,567	10,000	27,000
(Funded capital outlay)	(1,825)	(10,000)	(27,000)
(Change in resources on order)	(8,742)	(------)	(------)
3. Vehicle program (obligations)	17,732	11,763	18,424
(Funded capital outlay)	(15,873)	(7,783)	(25,248)
(Change in resources on order)	(1,859)	(3,980)	(−6,824)
4. Other equipment (obligations)	28,461	31,650	32,296
(Funded operating costs)	(2,860)	(3,000)	(3,000)
(Funded capital outlay)	(42,025)	(29,630)	(25,472)
(Change in resources on order)	(−16,424)	(−980)	(3,824)
Total program obligations	117,720	105,000	122,000
(Total funded operating costs)	(3,052)	(3,000)	(3,000)
(Total funded capital outlay)	(91,299)	(95,992)	(124,946)
(Total change in resources, etc., net)	(23,369)	(6,008)	(−5,946)
Financing:			
Comparative transfer from "Modernization and improvement of buildings and equipment"	117,720	------	------
New authority	------	105,000	122,000
New authority:			
Appropriation	------	110,000	122,000
Transferred to "Operations"	------	−5,000	------
Appropriation (adjusted)	------	105,000	122,000

Mr. GARY. Next is "Plant and equipment." There the appropriation for 1962 was $110 million. The estimate for 1963 is $122 million. The increase over 1962 is $12 million.

JUSTIFICATION OF THE ESTIMATES

We shall insert at this point in the record pages 50.1 through 50.4, 51.1 through 51.3, 52.1 through 52.2, 53.1 through 53.4, and 54.1 through 54.3.

(The pages referred to follow:)

Statement relating 1961, 1962, and 1963 programs

[Thousands of dollars]

1961 program (obligations incurred)	117,720
FISCAL YEAR 1962	
Increase or decrease due to:	
Federal buildings improvement	−9,373
Major mechanization projects	−567
Vehicle program	−5,969
Other equipment	3,189
Total	−12,720
1962 program (estimated obligations)	105,000
FISCAL YEAR 1963	
Increase or decrease due to:	
Federal buildings improvement	−7,307
Major mechanization projects	17,000
Vehicle program	6,661
Other equipment	646
Total	17,000
1963 program (estimated obligations)	122,000

NOTE.—This appropriation had the title "Modernization and improvement of buildings and equipment" in fiscal year 1961.

PLANT AND EQUIPMENT, 1963

Analysis of estimated increase or decrease (−) in obligations, 1961–63

[In thousands]

Activity and account	1961 actual	1962 estimate	Increase or decrease (−)		1963 estimate	Increase or decrease (−)	
			Amount	Percent		Amount	Percent
Federal buildings improvement:							
Land	$3,420	$4,000	$580	17.0	$2,950	−$1,050	−26.3
Rehabilitations and extensions	47,767	37,587	−10,180	−21.3	33,330	−4,257	−11.3
Air conditioning	9,430	9,000	−430	−4.6	7,000	−2,000	−22.2
Heating plant improvements	343	1,000	657	191.5	1,000		
Subtotal	60,960	51,587	−9,373	−15.4	44,280	−7,307	−14.2
Major mechanization projects:							
New projects	6,457	5,600	−857	−13.3	22,200	16,600	296.4
Changes in plans in prior year contracts	4,110	4,400	290	7.1	4,800	400	9.1
Subtotal	10,567	10,000	−567	−5.4	27,000	17,000	170.0
Vehicle program:							
Vehicles for local transportation and special delivery	14,767	9,398	−5,369	−36.4	13,256	3,858	41.1
Carrier mechanization program	2,710	2,065	−645	−23.8	4,868	2,803	135.7
Garage equipment	255	300	45	17.6	300		
Subtotal	17,732	11,763	−5,969	−33.7	18,424	6,661	56.6
Other equipment:							
Freight	1,824	2,000	176	9.6	2,000		
Custodial equipment	788	850	62	7.9	850		
Furniture and selected equipment	5,986	6,660	674	11.3	6,500	−160	−2.4
Mail and material handling equipment	19,549	22,015	2,466	12.6	22,821	806	3.7
Mail equipment shop and mail bag repair units and depositories	314	125	−189	−60.2	125		
Subtotal	28,461	31,650	3,189	11.2	32,296	646	2.0
Total plant and equipment	117,720	105,000	−12,720	−10.8	122,000	17,000	16.2

GENERAL STATEMENT

This appropriation provides funds for the alteration and improvement of Federal buildings used for postal purposes; for all procurement of equipment used in post offices, including major mechanization projects; and for procurement of vehicles and garage equipment for the fleet of vehicles owned by the Post Office Department.

The following schedule shows the relationship of obligations to costs which were or are expected to be actually expended each year with the corresponding increase or decrease (—) in the amount of such assets on order:

Relationship of obligations to accrued costs

[In thousands]

	1961 actual	1962 estimate	1963 estimate
Obligations incurred	$117,720	$105,000	$122,000
Capital outlay	91,299	95,992	124,946
Operating costs (minor equipment and freight expensed)	3,052	3,000	3,000
Total expended	94,351	98,992	127,946
Change in assets on order	23,369	6,008	—5,946

The capital outlay, or assets placed in service, indicates a combined buildup over the 3-year period. This reflects the leadtime required from the obligation of funds for the Federal building improvement and major mechanizations program to completion of the project. The increase in 1963 is also partly a result of delay in delivery of vehicles for which orders were placed in 1962.

In determining the expense of operation of the postal service on an accrued cost basis, the amounts expended for capital outlay are eliminated, and the depreciation accrued on all fixed assets in service is substituted therefor. The Department has established on its books as fixed assets the cost of all Government-owned buildings and equipment used in the postal service without regard to the department or agency to which funds were appropriated for acquisition.

As the amount of the Government's investment in such property grows, the depreciation accruals likewise grow. Depreciation expense for the 3 years is estimated as follows:

	Thousands
1961	$41,966
1962	45,800
1963	51,800

From this it can readily be seen that a substantial portion of capital obligations is required simply to maintain the capital investment at its present capacity and effectiveness.

Federal buildings improvement, decrease, $7,307,000—Analysis of obligations

[In thousands]

Item	1961 actual	1962 estimate	Increase or decrease (—)	1963 estimate	Increase or decrease (—)
Land	$3,420	$4,000	$580	$2,950	—$1,050
Rehabilitations and extensions	47,767	37,587	—10,180	33,330	—4,257
Air conditioning	9,430	9,000	—430	7,000	—2,000
Heating plant improvements	343	1,000	657	1,000	
Total obligations	60,960	51,587	—9,373	44,280	—7,307

JUSTIFICATION

Services provided.—The objective of this program is to provide adequate and well-adapted housing facilities for the receipt, processing, and dispatch of mail in existing Federal buildings. This consists of the complete rehabilitation and, where warranted, the extension of the building for the handling of the increased

volume of mail and to provide adequate, well-lighted, and properly ventilated work areas for employees in such buildings. It also provides for air conditioning, heating plant conversions, and minor repairs to buildings not currently planned for complete rehabilitation.

Program for 1963.—The program represents a reduction of $7,307,000 under the 1962 program as follows:

	Program, 1963	Decrease from 1962
Purchase of land by GSA	$2,950,000	−$1,050,000
Rehabilitations and extensions	33,330,000	−4,257,000
Air conditioning	7,000,000	−2,000,000
Heating plant improvements	1,000,000	
Total	44,280,000	−7,307,000

Purchase of land by GSA; decrease, $1,050,000.—Land is acquired adjacent to Federal buildings for the rehabilitation and extension of the buildings and the docking areas and the enlargement of maneuvering and parking areas. The estimate provides $2,950,000 for this item, compared with $4 million for 1962.

Rehabilitations and extensions; decrease, $4,257,000.—This program provides for the general renovation and extension of Federal buildings which house mail-processing operations. These buildings are those which are inadequate due to the increasing volume of mail and changes in methods of transportation and delivery. They are modified and extended in order to provide for present-day and anticipated volume, new transportation, and delivery equipment. Renovation includes redesigning the interior space of the building to better accommodate current-day methods for processing, transporting, and delivering the mail. Space requirements are based upon mail volume projected 10 to 20 years.

Where practical the following facilities and equipment are provided:

(*a*) 24-hour lobbies equipped with stamp-vending devices.

(*b*) Air-conditioning and improved heating systems where warranted.

(*c*) Adequate maneuvering areas and platforms for transportation and delivery vehicles.

(*d*) Adequate parking areas for post office vehicles.

This program for improving Federal buildings is now 2 years old. Through June 30, 1961, 205 major building projects have been forwarded to the General Services Administration for execution. Of this number, 60 are currently under construction contract, 1 contract has been completed, and 11 are scheduled for completion by December 1961. The remaining 133 projects in the hands of the General Services Administration are being processed for the obtaining of construction contracts. This estimate provides for 150 additional projects in each of fiscal years 1962 and 1963. The funds requested for this purpose amount to $30,830,000 in 1963, a reduction of $4,254,000 from 1962 estimates. This reduction is due to the fact that projects in 1963 will be for smaller buildings.

In addition to the major projects, certain minor alterations or corrections of Federal buildings to provide for adequate maneuvering and docking areas for trucks, adequate lights, etc., are also included as a part of this program. These projects are characterized by being relatively small (usually not more than $10,000) and are of the type that cannot economically be deferred. They are administered through the regions and will amount to approximately $2,500,000 in 1963, which is $3,000 less than that estimated for 1962.

Air conditioning; decrease, $2 million.—The 1963 program of $7 million is approximately the same as the 1962 program after reduction of $2.5 million for the final phase of the project at Chicago. There were 60 projects submitted to the General Services Administration in fiscal year 1961, about 200 are programed for fiscal year 1962 and 200 for fiscal year 1963. These systems are being installed in those buildings where there is a need and where the likelihood of rehabilitation in the near future is remote.

Heating plant improvements.—Improvements to heating plants are planned in post offices which are not being considered for alteration or extensions. Frequently this work is accomplished in conjunction with air conditioning. As existing heating systems become obsolete or require extensive repairs, complete new heating plants are designed which meet modern-day standards. The estimate provides $1 million for this purpose, the same as 1962.

Basis for the estimate.—The estimate is based on the amount of engineering work which can reasonably be done by the Department's staff during a fiscal year.

Major mechanization projects, increase, $17,000,000—Analysis of obligations

[In thousands]

	1961 actual	1962 estimate	Increase or decrease (−)	1963 estimate	Increase or decrease (−)
New projects	$6,457	$5,600	−$857	$22,200	$16,600
Changes in plans in prior year contracts	4,110	4,400	290	4,800	400
Total obligations	10,567	10,000	−567	27,000	17,000

JUSTIFICATION

Service provided.—The objective of this program is to provide the most practical system of machinery and equipment for processing large volumes of mail where present facilities are inadequate and must be extensively modified or replaced. Insofar as practical, an integrated mechanized system will be installed in large mail processing facilities which have been specifically constructed or adapted for them.

Utilization of these systems is practical only where there is consistently a large volume of mail. For this reason, these projects are programed for the larger postal facilities in metropolitan areas. In most cases, these installations are made in new leased buildings.

Program for 1963; increase, $17 million.—There are currently about 50 projects in varying stages of engineering development of which 10 projects are estimated for obligation in fiscal year 1963. Our basic policy in developing these projects is to direct our efforts toward the planning and installation of mail handling machinery which has been tested and proved in operation. We are convinced that the installation of mechanization of the type now planned will result in increased efficiency and will improve our service to the public. Planning for these large facilities is time consuming and cannot be accomplished in 1 fiscal year. We are giving more emphasis to the planning of these projects which will enable us to present a well-planned and beneficial program for 1964 and subsequent years.

In addition to the projects planned for obligation in 1963, we have programed $4.8 million for adjustment to prior year contracts. These changes are anticipated in contracts which were let in the fiscal years 1960, 1961, and 1962, and reflect changes in mail flow patterns and the development of technical improvements in the original systems. These changes must be incorporated if we are to obtain maximum benefits from these systems. Contrary to previous practice in some cases, we are planning awards for mechanization concurrently with, or after, award of the building contract. Present procedure is that site acquisition and design of structures must be complete before award of any mechanization contracts.

In future years this plan will reduce the number of changes to prior year contracts.

Vehicle program increase, $6,661,000.—Analysis of obligations

[In thousands]

Item	1961 actual	1962 estimate	Increase or decrease (−)	1963 estimate	Increase
Vehicles for local transportation and special delivery:					
Freight	$415	$1,061	$646	$1,100	$39
Vehicle purchases	14,352	8,337	−6,015	12,156	3,819
Total, vehicles for local transportation and special delivery	14,767	9,398	−5,369	13,256	3,858
Carrier mechanization program:					
Freight	196	110	−86	257	147
Mailster purchases	2,514	1,955	−559	4,611	2,656
Total, carrier mechanization program	2,710	2,065	−645	4,868	2,803
Garage equipment: Purchase of garage equipment	255	300	45	300	
Total obligations	17,732	11,763	−5,969	18,424	6,661

JUSTIFICATION

Service provided.—This program covers the purchase of all Department-owned vehicles and garage equipment used in the postal service. The quantity and types of vehicles and garage equipment are based upon the requirements of the Bureau of Operations.

Program for 1963.—The two major segments of the program for 1963 are (1) providing vehicles for local transportation and special delivery service, and (2) providing vehicles for the carrier mechanization program.

Vehicles for local transportation and special delivery, increase $3,858,000.—For the past 2 years the emphasis of this program was upon replacement of wornout and obsolete vehicles with only token purchases of vehicles for new service. Purchases made in response to the approval of the accelerated program toward the end of fiscal year 1961 brought the replacement program into line and we now request 1,106 vehicles for new service, to be utilized as follows:

Capacity	Number	Purpose
½-ton	816	New mounted city delivery routes.
¾-ton	147	Extending parcel post service to suburban areas.
2½-ton	83	Movement of mail prepacked in standardized containers.
Tractors	16	Movement of heavy bulk loads of mail.
Trailers	44	

The replacement program includes 2,839 of the compact-type ½-ton vehicle and 1,965 ¾-ton 300-cubic-foot vehicle for parcel post. The versatility of the compact-type ½-ton vehicle has been demonstrated in actual use during the current year. Though primarily for mounted route service, this vehicle can be successfully used on light parcel post, collection routes, and special delivery service. The ¾-ton 300-cubic-foot vehicle which replaces the 2-ton vehicle is ideal for parcel post services and in other than the largest cities can be used to advantage in hauling bulk mails between stations, branches, and airports. Four of the older trailers will be replaced.

All vehicles being replaced are 8 years old or more, and meet or exceed both age and mileage requirements for replacement by GSA standards with the exception of the four trailers which have been damaged beyond repair.

Carrier mechanization program; increase, $2,803,000.—The program of mechanizing foot routes is expanding to include 2,000 additional routes for which it is planned to furnish 2,000 two-cylinder mailsters. This vehicle has a capacity of 40 cubic feet and eliminates the need for mail relays and a separate vehicle for the delivery of parcel post on that route. Also, transportation of city carriers to and from outlying routes is accomplished in this vehicle without additional cost of special transportation.

The estimate provides for 3,131 mailsters for replacing a like number of the one-cylinder mailsters which are worn out and are no longer economical to operate. Mailsters being replaced are at least 5 years old and have had motors replaced one or more times. During the current year, 300 electric-powered mailster vehicles are being delivered and will be assigned in coastal areas. Initial cost of this vehicle is somewhat higher than the gasoline-driven vehicle but we anticipate lower operating costs as well as longer life for them.

Basis for estimate.—This estimate provides only the essential requirements for new service.

The replacement program follows a normal pattern of disposal of overage vehicles which it is not economical to repair further.

There follows a brief analysis of the 1963 program:

Analysis of vehicle purchases for fiscal year 1963

Type of vehicle	Total units			Units for new service		Units for replacement	
	Number proposed to be purchased	Cost (in thousands)	Unit cost	Number of units	Cost (in thousands)	Number of units	Cost (in thousands)
½-ton	3,655	$6,945	$1,900	816	$1,551	2,839	$5,394
¾-ton 300 cubic feet	2,112	4,964	2,350	147	346	1,965	4,618
2½-ton (level floor)	83	310	3,735	83	310		
Tractors 53,000 pounds GCW	16	101	6,300	16	101		
Trailers	48	168	3,500	44	154	4	14
Total regular program	5,914	12,488		1,106	2,462	4,808	10,026
Mailsters	5,131	4,875	950	2,000	1,900	3,131	2,975
Total vehicle purchases	11,045	[1] 17,363		3,106	4,362	7,939	13,001

[1] Includes $596,000 financed by reimbursements; amounts do not include freight.

Other equipment, increase, $646,000—analysis of obligations

[In thousands]

Item	1961 actual	1962 estimate	Increase or decrease (−)	1963 estimate	Increase or decrease (−)
Freight	$1,824	$2,000	$176	$2,000	
Custodial equipment	788	850	62	850	
Furniture and selected equipment	5,986	6,660	674	6,500	−$160
Mail and material handling equipment	19,549	22,015	2,466	22,821	806
Mail equipment shop and mailbag repair units and depositories	314	125	−189	125	
Total obligations	28,461	31,650	3,189	32,296	646

JUSTIFICATION

Services provided.—This estimate provides equipment for maintenance of buildings; furniture and fixtures including office equipment; mail and material handling equipment, and equipment for the mail equipment shops and for the mailbag repair units. It provides for all equipment for the field service except that included in major mechanization projects, vehicle procurement, and garage equipment.

Program for 1963

Freight, no increase.—This is related to the amount of equipment purchased. The amount estimated is $2 million, the same as the 1962 estimate for this item.

Custodial equipment, no increase.—Custodial equipment consists of items of equipment used in cleaning, maintenance and upkeep of buildings, grounds, and outside space. Included are floor polishing and scrubbing machines, vacuum cleaners (domestic and industrial type), lawnmowers, snowplows, lift platforms, fire extinguishers, ladders, metal scaffolding, metal and woodworking machines, power tools, electronic and other testing equipment, and other equipment as required.

Purchase of this equipment is programed at the 1962 level of $850,000.

Furniture and selected equipment; decrease $160,000.—This program consists generally of items of office furniture, fixtures, machines, and equipment. Included are accounting machines, air-conditioning units, basic laboratory equipment, electric fans, filing equipment, interoffice or intercom equipment, office furniture, safes, typewriters, vault entrances, electric water coolers, and some other items purchased locally. The amount estimated for 1963 is $6,500,000, a decrease of $160,000 compared with 1962, which in effect continues the replacement program at the 1962 level.

Mail and material handling equipment; increase, $806,000.—The estimate of $22,821,000 for this equipment is an increase of $806,000 over 1962. The program consists of machinery and equipment used in the internal transportation an processing of the mail, automatic customer service in lobbies, machinery and equipment for counters and counterline, motor scooters, electric forklifts, hand and platform trucks, industrial trailers, baggage-type trailers, facing and canceling machines, fixed and portable conveyors, letterbox equipment, lockboxes, mechanical facing tables, storage cabinets, distributing cases, lockers, pouch racks, mailflo separation cases, folding stands for temporary cases, adjustable platform stools, worktables, desks and other type cases for the workroom, cash and stamp drawers, wire- and string-typing machines, electric motors for replacement of wornout motors, and other machinery and equipment used in processing and handling the mail.

This program is principally a replacement program. Wornout and obsolete machinery and equipment are being replaced. Items used for replacement are those of the most advanced design and improved quality. The program also includes items of workroom furniture and equipment which are required to meet the needs arising from growth of the postal service.

Workroom furniture and lockboxes are procured in sufficient quantity to furnish new and remodeled buildings. Facing and canceling machines not included in major mechanization projects are also programed for new buildings where applicable.

Usable equipment from old buildings is now being utilized in new buildings instead of being automatically surplused as in the past.

Past procurement has been at a low level for sack and pouch label printing equipment pending development of new types of machines. Procurement of the new types will increase requirements by $35,000. With the standardization of a new high-speed facing and canceling machine, it is estimated procurement will increase by $650,000. Installation of more lockboxes in new large buildings and in other locations will increase requirements by $100,000. The remaining $21,000 increase is for estimated requirements for carts, scales, motor scooters, postage meters, and revolvers.

Mail equipment shops, mailbag repair units and depositories.—No additional equipment will be required in these activities. The estimate provides $125,000 for replacement of some wornout sewing machines and presses.

Basis for the estimate.—This estimate is based on the current costs of equipment items, and current procurement based on trends of requisitions received, as modified by known changes in programs.

Mr. GARY. Mr. Bishop, will you explain first the increase of $12 million over the 1962 appropriations?

INCREASES REQUESTED FOR 1963

Mr. BISHOP. I would be happy to, Mr. Chairman. Turning to page 50.2 of the justifications, we see the various items that make up the difference between the 1962 estimate and the 1963 estimate which amounts to a total of $17 million.

TRANSFER OF $5 MILLION

Mr. NICHOLSON. This is because of a $5 million transfer.

Mr. GARY. This is another case of transfer?

Mr. NICHOLSON. Yes, sir.

Mr. GARY. You transferred $5 million from this item to "Operations"?

Mr. NICHOLSON. That is correct, sir.

Mr. GARY. And consequently you are asking for an increase of $17 million rather than $12 million?

Mr. BISHOP. That is correct.

FEDERAL BUILDINGS IMPROVEMENT

With relation to the "Federal buildings improvement" item, instead of an increase we have an actual $7 million decrease. This is the program which is directed at extension and modernization of existing Federal buildings, air-conditioning, and heating plant improvements.

The workload capacity is the principal limiting factor on the projects that we can process through to the General Services Administration for completion.

MAJOR MECHANIZATION PROJECTS

As you will note, the "Major mechanization projects," the next item on the page, increase rather substantially. The capacity of the work force to process these extension and modernization jobs is limited. We provide the preliminary work, including estimates of the amounts of obligations that are incurred, and, as a matter of fact, we obligate these projects at the time they are turned over to GSA for final design, land acquisition, and award for construction. With the increase in the major mechanization projects, there will not be equivalent work force available to continue the projects at the same level as they were done in fiscal year 1962.

Mr. GARY. How many new projects does the $16,600,000 represent?

Mr. BISHOP. There will be approximately 10 major mechanization projects.

VEHICLE PROGRAM

Mr. GARY. You have vehicles for transportation and special delivery. You show an increase there of $3 million.

What is the carrier mechanization program?

Mr. BISHOP. The carrier mechanization program can be defined in one word—mailsters, although there are some larger vehicles used on carrier routes. The program, as I recall it, for fiscal 1963 is 2,000 new mailsters for new service, along with replacement of approximately 3,000 mailsters whose economic retirement age will have been reached. As I recall it, the first mailsters were purchased in approximately 1957 or 1958. Field studies have been made regarding replacements. This will represent the first large replacement of the existing mailster fleet.

Mr. GARY. Can you give us a table showing the number of present vehicles by size and also the approximate age?

Mr. BISHOP. I have a table of the vehicle inventory by age projected through fiscal year 1963. It does not break down the vehicles by size but that can be done and we shall be glad to furnish that for the record.

Mr. GARY. Give us some breakdown as to the size of the trucks, and so forth.

This table which you have just given us will be inserted at this point in the record. Does this table include mailsters?

Mr. BISHOP. It does not.

(The table referred to follows:)

Vehicle inventory by age (trucks, tractors, and trailers), as of June 30

Age of vehicle	1954	1955	1956	1957	1958	1959	1960	1961	1962[1]	1963 [1]
Under 1 year	42	240	9	3,349	957	4,289	183	991	617	5,914
1 year	397	2,434	2,619	2,379	3,370	4,107	4,362	4,338	6,377	3,587
2 years	6,115	395	2,543	2,582	2,410	3,411	4,103	4,358	5,857	6,377
3 years	5,318	6,116	391	2,511	2,580	2,385	3,438	4,096	4,355	5,857
4 years	2,976	5,316	6,109	383	2,506	2,392	2,391	3,465	4,098	4,355
5 years	1,759	2,972	5,314	6,105	341	2,447	2,392	2,390	3,455	4,098
6 years	1,536	1,758	2,968	5,325	6,084	273	2,425	2,388	2,389	3,455
7 years	1,061	1,535	1,760	2,999	5,358	5,474	259	2,390	2,374	20
8 years	34	1,061	1,529	1,730	2,968	4,484	5,378	158	1,352	20
9 years	2	33	1,060	928	1,582	2,043	4,312	4,709	69	452
10 years or older	2	3	34	523	368	927	1,898	3,509	3,080	353
Total	19,242	21,863	24,336	28,814	28,524	32,232	31,141	32,792	34,023	34,488
Average age (years)	3.5	4.0	4.6	4.4	5.0	4.4	5.2	4.9	4.1	2.9

[1] Projected on the basis that 2,970 vehicles purchased from fiscal year 1962 funds will be delivered in fiscal year 1963 and all of the 1963 procurement will be delivered prior to June 30, 1963.

Mr. BISHOP. Would you desire a similar analysis of the mailster fleet?

Mr. GARY. If you have it convenient we should like to have it.

Mr. BISHOP. We shall be glad to provide it for the record.

(The information requested follows:)

Vehicle inventory by age (mailsters), as of June 30

Age of mailsters	Fiscal year 1954		Fiscal year 1955		Fiscal year 1956		Fiscal year 1957		Fiscal year 1958		Fiscal year 1959		Fiscal year 1960		Fiscal year 1961		Fiscal year 1962 [1] (Projected)		Fiscal year 1963 [1]	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Under 1 year	1	0.7	4	0.9			365	52.8			317	6.4			603	7.2	970	8.7	5,131	35.8
1 year	100	64.5	314	73.2	6	1.5			1,501	82.6	2,842	57.1	380	6.6	2,401	28.5	2,403	21.6	2,222	15.5
2 years	54	34.8	100	23.3	313	76.2	5	.7			1,500	30.2	3,539	61.8	371	4.4	2,401	21.5	2,403	16.8
3 years			11	2.6	90	21.9	310	44.8	5	.3			1,498	26.1	3,535	42.1	371	3.3	2,401	16.7
4 years					2	.4	12	1.7	310	17.1	5	.1			1,493	17.8	3,531	31.6	320	2.2
5 years											310	6.2	3	.1			1,488	13.3	1,858	13.0
6 years													310	5.4						
7 years															2	.0				
Total	155	100	429	100	411	100	692	100	1,816	100	4,974	100	5,730	100	8,405	100	11,164	100	14,335	100
Average age (years)	1.3		1.3		2.2		1.4		1.5		1.5		2.4		2.3		2.7		1.7	

[1] Projected on the basis that 1,252 vehicles purchased in fiscal year 1962 will be delivered after June 30, 1962, and all vehicles purchased in fiscal year 1963 will be delivered prior to June 30, 1963.

Mr. BISHOP. In addition we shall be glad to provide the inventory of the fleet by size and type of vehicle projected through fiscal year 1963.

(The information requested follows:)

VEHICLE INVENTORY PROJECTED THROUGH JUNE 30, 1963

Model year (excluding carrier mechanization vehicles)

Capacity	1952 or older	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	Total
½ ton				1		1	588	1,492	3,210	2,835	1,057	3,655	12,839
¾—140						615	1,865	995					3,475
¾—200						1,770							1,770
¾—300						969	1,249	1,499	1,200	3,050	1,809	2,112	11,888
¾-ton unitized body								29	21				50
¾-ton, 4-wheel electric										5			5
2 tons									3	4			7
2½ tons							250	63	1,251	9	507	83	2,163
Tractors			2			7	75	79	49	214	37	16	479
Trailers		44	296	1	6	28	70	96	120	222	177	48	1,108
Passenger	1		2			1							4
Custodial	3	1				2		100		36			142
Miscellaneous	280	24	152	18	14	62	1	2	3	2			558
Grand total	284	69	452	20	20	3,455	4,098	4,355	5,857	6,377	3,587	5,914	34,488

Carrier mechanization vehicles

Type	1958	1959	1960	1961	1962	1963	Total
¼ ton (1 cylinder)	1,847	317					2,164
¼ ton (2 cylinders)	11		2,400	2,100	2,222	5,131	11,864
¼ ton (electric)		3		304			307
Total	1,858	320	2,400	2,404	2,222	5,131	14,335

REPLACEMENT OF VEHICLES

Mr. GARY. What is your policy now with respect to replacements?

Mr. BISHOP. Our disposal policy is directed at reaching General Services Administration standards.

Mr. GARY. Off the record.

(Discussion held off the record.)

Mr. GARY. Proceed, Mr. Bishop.

Mr. BISHOP. Essentially the vehicles programed for disposal during fiscal year 1962, show an average age of 9 years or more, and an average mileage of 125,000 miles or more.

We would expect the 1963 disposal to be substantially of the same characteristics. This is considerably in excess of GSA standards or the utility company standards or Defense Department standards.

As part of the reorganization in the Bureau of Facilities we have created a new division, a maintenance division, under whose jurisdiction the maintenance of the vehicle fleet falls.

One of the projects we have assigned to this newly created and vigorous division is the development of Post Office Department disposal standards. The Post Office Department fleet is quite large, and we feel there will be ultimate gain in determining optimum disposal standards for the Post Office Department by itself.

Our fleet depreciation rates are substantially lower than the Government vehicle fleet as a whole, and our maintenance costs are substantially higher than those of the Government fleet as a whole.

We expect that by reducing the age of the fleet by using optimum disposal standards, we will reduce the maintenance cost per mile.

The number of miles we expect the postal fleet will travel in 1963 is approximately 420 million miles. The dollar effect of a slight betterment of the maintenance cost per mile would be significant.

Mr. GARY. How many new vehicles are you requesting for 1963?

Mr. BISHOP. The total figure is 11,045. That figure includes mailsters.

Mr. GARY. I think this table gives us the necessary information. It gives the complete number of new vehicles you have and shows those which are additions and those which are for replacement.

Mr. BISHOP. That is correct.

Mr. GARY. According to classification. That is all the information we need. I assume that is already in the record.

FEDERAL BUILDINGS IMPORVEMENT

Will you explain what is included in the estimate of $44,280,000 for Federal building improvements?

Mr. BISHOP. That figure reflects approximately $36 million in extension and modernization projects. It includes about 150 projects

to be handled in headquarters and also smaller projects to be handled by the regions. These are improvements ranging from such things as additions of platforms and other relatively small improvements to existing buildings, up through rather substantial building extensions and acquisition of land adjacent to Federal buildings for additional parking and maneuvering space. Such things as the modernization of lighting and heating plant are often included as part of a major renovation or modernization.

In addition to the $36 million approximately that is represented by such projects as those, there is approximately $7 million specifically for air conditioning and approximately $1 million for heating-plant improvements. We still have a substantial number of non-air-conditioned buildings in areas requiring air conditioning under our standards. Also a substantial number of heating plants, both of a hand-fired variety and others of an age as to have fully lived their limited economic life, require replacement.

Mr. GARY. You do show a decrease of $7 million from last year in this figure, but would not that tend to decrease rather substantially as you get the new leased buildings?

Mr. BISHOP. Yes, I would expect so to some extent. Also because of the progress that has been made in the modernization of Federal buildings in the past, the tendency might be somewhat downward. However, there are still many badly needed projects, and I wouldn't be too optimistic about decreases.

MAJOR MECHANIZATION

Mr. GARY. What are the new projects you referred to under the estimate of $22,200,000 for major mechanization?

Mr. BISHOP. I would like to call upon Mr. Harriman to respond.

Mr. HARRIMAN. Would you like those by cities or by types of equipment? We have a total amount of money identified in those installations where we have called out bulk handling systems and conveyors, sack and parcel sorters, letter sorters, tray transport systems, and other minor mechanization that goes into the major leased facilities that are coming along.

Mr. GARY. How many projects does that represent?

Mr. HARRIMAN. Ten projects of the major type will account for nearly all of the $22 million.

CHANGE IN CONTRACTS

Mr. GARY. What changes in plans in prior year contracts are you referring to in the item of $4,800,000 under major mechanization projects?

Mr. HARRIMAN. The changes that have taken place here result in the need for additional money in this category. We are learning in the Post Office Department and as we identify the mistakes and errors in contracts let previously, we go back and review all existing contracts that are now in effect. We try to anticipate in advance changes and amendments to existing contracts to bring them up to the most efficient operating systems possible at the time they become operational. This is part of the feedback type of work and experience I was passing on to you yesterday.

As any new major facility becomes operational and we locate deficiencies in design or deficiencies in operation, we now go back and look at all other facilities coming down the program schedule and take actions wherever possible.

Mr. GARY. We have had a provision in the law, as I recall, where you have asked for a change in language for several years. It is in the request for this year. It says including not to exceed $3 million for current increases in prior year contracts in addition to current increases made as a result of changes in plans in such contracts therefor.

Why do you need authority to change the contract price when you do not have a change in plans?

Mr. NICHOLSON. I could get into that, Mr. Chairman, unless you prefer to handle it as we take up the whole package of language changes.

Mr. GARY. Maybe we had better take it up at that time.

Mr. NICHOLSON. I might comment at this time that the change in plans as provided in the 1963 submission is under authority we have had for many years under the law and indeed changes of plans of this kind must be charged to the current year appropriation.

Mr. GARY. We understand that, but the committee in the past has held to the policy that there should not be any changes in contract price unless there are changes in plans. Is the amount you refer to here under the present policy, which means that there were changes in plans?

Mr. HARRIMAN. Yes; the answer to this is as a result of what we have learned at other installations and what we see as improvements looking down the road, there have been actual changes in plans from the time the original contract was let.

Mr. GARY. All right. Does this appropriation provide any funds for projects such as that being carried on by the Food Machinery Co. in San Jose, Calif.?

Mr. HARRIMAN. No, sir; it does not. We financed that out of our research and development appropriation completely, and there are no funds from mechanization, modernization, or building being diverted into research. We have them clearly delineated.

DEPRECIATION ACCRUAL

Mr. GARY. What is the purpose of the depreciation accrual statement on page 50.4 and how are the amounts reflected in the budget estimates?

Mr. BRAWLEY. Mr. Noble will reply to that question.

Mr. NOBLE. Mr. Chairman, the depreciation accruals are not reflected in the budget as far as obligational authority is concerned. They are part of the accrued cost budget in the section where we show the operating expenses on an accrual basis. This amount of depreciation has been included in the cost base which we use to measure the adequacy of postal rates. It was put in this justification at this point merely to give an indication of the magnitude of our ordinary plant requirements apart from catching up on what you might call deferred maintenance or the long lag in adequate capital replacement. The figures show how much would be required just to keep abreast of ordinary depreciation accruals. This is simply to give an order of

magnitude in your consideration of our capital requirements; that is, an order of magnitude of the normal depreciation accruals.

Mr. GARY. Could you give us any tables showing rate of depreciation used, how this is arrived at?

Mr. NOBLE. Yes; we have a complete schedule covering every type of equipment. It averages out on our buildings at about 2½ percent and on our machinery and equipment between 5 and 6 percent, and our motor vehicles I think run around 15 percent a year. Those are overall averages. As to individual items of equipment, some are much longer lived and some of them shorter lived.

Mr. GARY. Thank you, sir, Mr. Steed.

AIR CONDITIONING

Mr. STEED. This item of $2 million decrease in your request for air conditioning, does that mean you are catching up with your air-conditioning program or what is the reason for this cutback?

Mr. BISHOP. We still have a substantial number of post offices that require air conditioning, that are in areas that require it according to our standards. However, it may represent to a degree a catchup in the number of programs currently on hand, and it may reflect the limit on the number of personnel available for processing these particular projects. The increase in the mechanization program occasions some demand for internal manpower. In the overall, the program is nearly the same as 1962 except for one very large project obligated in 1962.

OTHER EQUIPMENT

Mr. STEED. I notice that you are asking the same amount this year as last year for custodial equipment and $160,000 decrease in the furniture and selected equipment items. In view of the expansion of your modern plant, how did you manage those figures without having to increase them?

Mr. BISHOP. I would like to answer that by saying improved efficiency, tight management, and sound business principles. To a degree, however, it probably represents living off inventory. We are attempting to keep our inventory levels at a very careful rate. Essentially, the programs do continue at approximately their same rate. This is more related to replacement in the total plant. The total plant requirements are not greatly influenced for replacement purposes by the addition of new offices in their initial years.

Mr. NICHOLSON. I think Mr. Bishop is being a little modest because I believe he could take credit for greater utilization of existing equipment through better property records and greater reliance on or greater awareness of equipment we presently have on hand. We are able to ship material from warehouses and post offices to where it is needed instead of purchasing new equipment just because we did not know the equipment was available in the warehouse or was in excess at some office.

Mr. STEED. I had assumed that as this modernized plant increased, it would have some impact or some influence on increasing all your normal maintenance and operational items. I was just interested as to why those two in particular did not seem to reflect that.

Mr. NICHOLSON. I think there is one other factor. It had been generally the practice in the past that each time a new building was occupied it was completely equipped with new furniture and new equipment. This policy has been modified somewhat and use is made of equipment that is in excellent condition. This equipment is installed in new quarters without the proviso that it must be brand new. So long as it is in excellent condition and operable, with good appearance, and fits into the surroundings, existing equipment is used. We do not always purchase new equipment for new post offices.

STANDARDIZATION OF VEHICLES

Mr. STEED. Under the other administration we were told that an effort was being made in the purchase of new motor equipment to standardize the vehicles so that the cost of maintenance and carrying parts and all that could be made more economical. What are you doing in that direction?

Mr. BISHOP. Essentially, we are using in the biggest part of our new acquisitions to the fleet, ½-ton and ¾-ton trucks. We are using essentially standard trucks. They are modified in approximately four particulars for specific postal use: The rollup back door, so that the postal truck may back up flush to a loading dock; the tray for the driver to place mail and set it up for handling; the wire mesh behind the driver for security purposes; and in some vehicles, the right-hand drive. Other than these modifications for postal vehicles, all of these one-half and three-quarter tons are standard.

Mr. GARY. And the red, white, and blue.

Mr. BISHOP. And color.

Mr. STEED. Does that mean that year by year as you replace old, wornout vehicles, that you come closer to a real standardization of of your equipment which has simplified some of your problems the maintenance people have to cope with?

Mr. BISHOP. I would say yes, the more standardization there is and the greater content of the standardized vehicles in the fleet, that will make for easier maintenance and standardized purchases. Of course, purchases of standardized equipment contribute to economical purchasing.

Mr. STEED. That is all, Mr. Chairman.

Mr. GARY. Mr. Pillion.

MAJOR MECHANIZATION PROJECTS

Mr. PILLION. On page 52.1, the major mechanization projects, is there a breakdown between major mechanization and minor mechanization?

Mr. BISHOP. I would ask Mr. Harriman to respond to that.

Mr. HARRIMAN. Our nomenclature in terms of "major" means that we do not have mechanization of the type you refer to unless it is major. We do not have the category of minor mechanization. This we call at the present time transport belting.

Mr. PILLION. Is this mostly in the new projects coming up?

Mr. HARRIMAN. Yes, sir, that is correct.

Mr. PILLION. Would we be able to have for the record an estimate of the major mechanization, new projects, and their costs for the

years of 1964, 1965, and 1966 as projected based upon the expected construction and the installation of mechanization for those years, just as an estimate?

Mr. HARRIMAN. Yes.

Mr. PILLION. Furnish it for the record, please.

Mr. HARRIMAN. Yes, we have it for 1963. We can pull it together for 1964.

(The information requested follows:)

Preliminary estimate of awards for major mechanization projects, fiscal years 1964 1965, and 1966

Fiscal year	Number of projects	Estimated cost
		Thousands
1964	15	$42,000
1965	15	41,000
1966	17	44,000

Mr. PILLION. Mr. Chairman, that is all.

Mr. GARY. Mr. Alexander.

SUPPLY CENTERS AND WAREHOUSES

Mr. ALEXANDER. I am interested in your describing for me your supply depots for equipment, how many of those and to what extent you have supply depots.

Mr. BISHOP. We have four supply depots located at Belle Mead, N.J.; Chicago, Ill.; Topeka, Kans.; and here in Washington, D.C. We have capital equipment warehouses at Atlanta, Ga.; Belle Mead, N.J.; Boston, Mass.; Chicago, Ill.; Topeka, Kans.; Oakland, Calif.; and here in Washington, D.C. That is a total of four supply centers and a total of seven capital equipment warehouses.

Mr. ALEXANDER. In these warehouses do you store all of the equipment that is taken out of old post offices as well as new equipment, or what do you do with this old equipment?

Mr. BISHOP. I will ask Mr. Trahern to explain.

Mr. TRAHERN. This pertains to only new equipment. The old equipment is stored in the regions in various post offices.

Mr. ALEXANDER. Do you all have any record of what it is and in what condition it is?

Mr. TRAHERN. Yes, sir; we have a record in each region. Before submitting a requisition for new equipment, they check to see if they have this equipment in their region, and they utilize this equipment first.

Mr. ALEXANDER. How much capital outlay do you have in supplies and equipment?

Mr. BISHOP. I am not sure I follow the question as it relates to the plant and equipment.

Mr. ALEXANDER. You have stored certain equipment at all times. Do you have a certain fund that you keep replenished?

Mr. BISHOP. Can you respond to it, Bob?

Mr. BRINKMEYER. There is no special fund for this purpose. The equipment bought for inventory in capital equipment warehouses and that bought for direct delivery is purchased from the plant and

equipment appropriation, as part of the "Other equipment," program. It is distributed from inventory or direct from the manufacturer according to the best means at the time.

Mr. ALEXANDER. Really, what I am getting at is this. The Post Office Department is a huge operation. It seems to me that in your purchase of standard equipment that you use in post offices throughout the United States there ought to be a terrific reduction in large purchases and then storage and withdrawal as you need it. What is your system?

Mr. BISHOP. Except for purchases of very small amounts that are allowed to local postmasters, which has been found to be economical, and a similarly low limit authorized to our regional offices, all procurement is handled by the headquarters here in Washington in order to obtain the optimum benefits of procurement on a big scale.

Mr. ALEXANDER. Do you go so far as to buy parts for these standard trucks and have them on hand to be sent out to your different centers?

Mr. BISHOP. Yes, all such purchases.

(This answer modified by Mr. Bishop in immediately following testimony.)

Mr. GARY. Would the gentleman yield there?

Mr. ALEXANDER. Yes.

Mr. GARY. The previous administration, according to my recollection, made considerable revision in the supply centers. Have you made any changes in this setup in that connection?

Mr. BISHOP. We have made no changes in the supply center structure.

Mr. GARY. How many supply centers do you have at the present time?

Mr. BISHOP. Four. They are not for capital equipment but for all operating supplies from paper forms through paper clips, the whole gamut of postal supplies.

Mr. GARY. Where are they located?

Mr. BISHOP. Belle Mead, N.J.; Chicago, Ill.; Washington, D.C.; and Topeka, Kans. Could I correct the record to show that my answer as to vehicle replacement parts should be that they are procured locally rather than centrally through Washington here?

Mr. ALEXANDER. Is that bought wholesale locally and stored or is it bought piece by piece as you need it?

Mr. BISHOP. I will ask Mr. Dieman to respond.

Mr. DIEMAN. Where you have a requirement for some large numbers, these kinds of parts we buy in numbers and keep in stock. Those parts that are used only infrequently are bought from the local supply.

Mr. GARY. Would the gentleman yield?

Mr. ALEXANDER. Certainly.

Mr. GARY. Do you not have a maintenance garage in Chicago in connection with your post office there?

Mr. DIEMAN. Yes, sir.

Mr. GARY. And all of your trucks from around that area are sent in there for repairs?

Mr. DIEMAN. Yes, sir.

Mr. GARY. They would carry a supply of parts, would they not?

Mr. DIEMAN. Particularly fast-moving parts; yes, sir.

Mr. GARY. That is what I mean, so they would be available, the minor parts that would have to be supplied, they would have them available just like any other repair garage so that they could put them on the trucks very promptly?

Mr. DIEMAN. Yes, sir.

Mr. ALEXANDER. The only reason I brought that up is I think this is an avenue where there is a great deal of profit. If you buy it at the retail price, it is a lot different from buying in large quantities at the wholesale price.

Mr. GARY. I agree with the gentleman thoroughly, but I have been in this garage. How many other centers do you have like Chicago?

Mr. DIEMAN. We have in excess of 200 vehicle maintenance facilities around the country.

Mr. GARY. All of them would carry the minor parts and buy them in quantity?

Mr. DIEMAN. Yes, sir.

Mr. GARY. You did not mention any west of Kansas.

Mr. BISHOP. Topeka, Kans.

Mr. GARY. How do you supply the California area and all the western area and Washington State and Alaska?

Mr. BISHOP. The Topeka supply center supplies part of the west coast, although our regional lines and State lines do not make any difference as far as requisitioning from a particular supply center. So that some supplies would go to the west coast and to Alaska from Topeka and from some of the other supply centers as well. There is none located west of Topeka, however. We use GSA supply depots as well as our own, and I might again mention that as part of our new look at the Bureau of Facilities we are engaging in a study of the supply center situation at the present time.

Mr. GARY. I should certainly think you would have enough demand on the west coast to at least have one supply center. I certainly am no expert on this subject, but it would seem to me you would have enough demand there to justify one supply center in that section.

POSTAGE METERED MACHINE CANCELLATION DIES

Mr. PILLION. On this Pitney-Bowes business, what is the regulation or policy of the Post Office Department again as to what happens with all these advertising signs that are made part of the cancellations?

Mr. DOYLE. Our regulations require that no advertising slugs can be attached to a meter impression which are of objectionable, misleading, or of a controversial nature. This is the only regulation we have. The meter manufacturers make their own arrangements with the private holders of these machines for these slugs.

Mr. PILLION. Suppose I wanted to advertise a brassiere or a bottle of whisky or a colored image of a woman. Or suppose I put on a hammer and sickle.

Mr. DOYLE. It would be objectionable to some.

Mr. PILLION. Suppose I say, "Vote Republican," and put the eagle on, or "Vote Democratic," and put the star on. How are you going to be able to have a policy that is going to be acceptable. I am afraid we are permitting the Pitney-Bowes Co. to use the Post Office Department and its services for its profit and for its gain in selling what was essentially their privilege to cancel stamps. I am just wondering if

we are not getting ourselves into a situation where they build up a Madison Avenue advertising agency which will be the major factor in their selling the privilege to cancel.

I do not expect an answer. I hope it will be given some thought and study when it gets into a more absurd situation.

Mr. DOYLE. They have revised their policy substantially in recent months.

Mr. PILLION. United Nations is fine, but when you want a slogan which is anti-Communist, they will not put it on. Immediately you get a clash right there. I can see any number of possibilities where you would have all kinds of troubles.

Mr. GARY. In that connection, the committee plans to visit the Pitney-Bowes plant on its inspection trip when we can make it.

Mr. PILLION. The other question I have with relation to the Pitney-Bowes machines is this. Why would it not be possible for someone to change those meters or to counterfeit the cancellation and how would you detect that or know it?

Mr. HARRIMAN. We have a very elaborate program for detecting any change or attempt to make a change on the meter. First off, within the record, there are several security checks known to the postal employees that are not ever known to anybody except a very few people. We not only check against the machine and use the other means we have of checking, but we also check total receipts and occasionally pull another check.

Mr. GARY. Do you have adequate laws to punish those who may be violating or attempting to change it?

Mr. HARRIMAN. Yes; this is thoroughly covered by existing laws. We have had no problem bringing charges where necessary.

Mr. GARY. Gentlemen, that seems to conclude the plant and equipment. That only leaves language changes, and we will take those up at the present time.

LANGUAGE CHANGES

PAYMENT FOR PUBLIC SERVICES

The first change in language is on page 88, and that relates to the total loss theory of public service. I think we will postpone consideration of that until after the Congress has acted on the rate change bill.

ADMINISTRATION, REGIONAL OPERATION, AND RESEARCH AND DEVELOPMENT

The next one is on page 97. This is the contract provision. Conduct of a research and development program, including not to exceed $3 million for current increases in prior year contracts thereunder in addition to current increases made as a result of changes in plans in such contracts, including services. Will you explain that change?

Mr. NICHOLSON. Yes. As we mentioned earlier, changes of costs that occur because of changes in plans are charged to the current year's appropriation. However, there are other changes in costs that do cause us concern and difficulty. These are involved in connection with research contracts. We have found that negotiated contracts for which there is a fixed contract price for the project do not truly serve the Government's interests in many cases. In many

cases it is desirable and proper to enter into cost-plus-fixed-fee contracts. This is because the work to be pursued is of an unknown nature and the amount of effort, the difficulties that might be encountered or the ease that might be encountered in arriving at a solution are unpredictable in advance of undertaking the work. Therefore, we enter into these contracts on the basis of reimbursing the contractor for his costs plus a fixed fee.

In the initial stages of agreeing about the cost we, of course, are conservative. We estimate the probable costs at a low level because the total of that estimated cost is a determinant in agreeing on the fee. In order to keep the fee itself at a low level, we generally talk in terms of a low magnitude of cost on the basic work.

If I may use an analogy that may help to explain this, let us say we undertake to build a road from point A to point B, but the person who is going to undertake the building of the road has no opportunity to survey the terrain in between point A and point B. He then begins building the road, and as he progresses he may find there is a river to cross, so he has to build a bridge, which was not in his original calculation. Or perhaps he has to blast a tunnel through a mountain which was not in his original calculations. The extra costs of such unanticipated difficulties would be taken into account on a cost-type contract even though the end result is simply to go from A to B.

When we do not have the authority to use current year funds for taking care of those kinds of extra costs not anticipated, we must find those funds in the year of the original obligation. Unless reserves have been set aside for this purpose, we are faced with the possibility of abandoning a project just short of its actual completion. To set aside reserves in this account in order to provide for such contingencies means we cannot fully program the authority that you make available to us. This particular account by itself is of quite modest proportions. It is not of a size that enables us to maintain reserves in prior year funds.

In the case of these cost-plus-fixed-fee contracts, the costs of the contract are subject to audit. These audits are done by Government agencies, frequently by Defense auditors. The audits may find that the amounts we felt were going to be paid are improper, perhaps they are too small, perhaps they are too large. When those audits find that the amount of costs should be increased, as in the case of provisional overhead rates, thereby increasing our obligation to the contractor, those findings frequently come 1, 2, and sometimes 3 years after the project has been completed. In the event we discover one day that we owe a contractor whose work was completed a year or two before—that we owe him some money—if we do not have the money in that appropriation, there would be no way we could make that payment.

It is because of those kinds of changes that we feel it would be desirable if we had authority up to this dollar limit set in the suggested language of $3 million to enable us to pay for these kinds of overruns, these kinds of extra costs on prior year contracts, using current year funds.

Mr. GARY. I think you are going to have to have some restrictions other than the $3 million to get it by the committee. There has been opposition each year to that provision. The opposition is centered

around the fact that if you enter into a contract with the contractor and he can do the job cheaper, he does not refund any of his contract price. Therefore, we feel that if he underestimates the cost of the project, he should not be permitted to come in and get additional money later on.

Mr. NICHOLSON. This would be the case if you are working on a fixed-price type of arrangement, in which case if we agreed in a negotiated contract on a fixed amount for a certain project and he did it for less, he would keep the extra amount; if it cost him more, we would have no obligation to pay him.

Mr. GARY. You would have no obligation, but this language would permit you to do it.

Mr. NICHOLSON. No, sir; only on a cost-type contract, not a fixed price contract.

Mr. PILLION. It does not make that distinction here in the language.

Mr. GARY. No.

Mr. STEED. Is it for a research and development program?

Mr. DOYLE. You could limit it by inserting cost-plus-fixed-fee contracts.

Mr. GARY. If you work over that language and get some limitations on it so that what I have just mentioned would not happen, I think that is the objection that the committee has had to this language all the time. They are fearful that we would open it up so that the contract would not mean anything insofar as the Government is concerned. We would be in the position that the man could demand more money and you could pay him, whereas, if he completed the project for less than he anticipated, he would pocket the difference. That is what we are trying to avoid. If you want that authority as to certain types of contracts, if you put that in, I think the committee would accept it.

Mr. PILLION. It is the reverse of your statement here of building a road from A to B, and ordinarily a contractor would not bid except after his anticipating there is a mountain and a river, and if he finds there is no mountain or there is no river, you are paying that extra, but we do not get it back.

Mr. GARY. That is right. I think if you will work on that and work out some language that would be more acceptable, it might be all right. I am telling you what the difficulty is that we have run into.

MISCELLANEOUS AND EMERGENCY EXPENSE

Mr. GARY. The next one concerns miscellaneous and emergency expenses, "not to exceed $25,000 for miscellaneous and emergency expenses, including not to exceed $6,000 for official reception and representation expenses."

This is always referred to as the "liquor fund," and the minute you come up with it you have opposition. Personally, I think something of this kind ought to be allowed. I think this is a rather modest amount. I remember last year we had a visit from the person who would correspond with the Postmaster General of France. I think he was called Minister of Post, Telephone, and Telegraph. He visited Washington and the Postmaster General had to provide entertainment for him, or at least it was certainly highly advisable in

my opinion and I do not think the Postmaster General should be required to pay that out of his own pocket.

(Discussion off the record.)

Mr. NICHOLSON. The language authorizing miscellaneous and emergency expenses up to $25,000 was first approved in our 1955 appropriation act. The Congress then recognized the Postmaster General's need for a relatively small sum to be expended by him and other high officials of the Department for the necessary entertainment of visiting dignitaries from foreign governments and others with whom he must have official relationships. This language has been repeated in each appropriation act since 1955. Since this authorization appeared in the 1955 act, the Postmaster General has made judicial use of this limitation for the purpose of official entertainment. The total cost incurred for 1961 was only $4,000 and that for 1960 approximately $5,000. The fund is under his personal control and no expenditure may be made from it without his personal approval.

The current language does not specifically state that it includes entertainment expense. We have, of course, been relying on our authority in the legislative history of this authorization in the 1955 act. The language we now propose would expressly disclose the use of the funds for official entertainment and place a more restrictive limitation on the amount which would be expended for this purpose.

(Discussion off the record.)

Mr. GARY. Will you prepare and submit proposed language for the separation of the appropriation for research, development, and engineering? I do not think you want to separate it and you may give us at the same time a statement as to why you are opposed to it. Give us some language so if the committee decides to do that we will have the proper language to insert.

Mr. BRAWLEY. All right, sir.

Mr. GARY. I would be glad to have a statement of your opposition to it at the same time so the committee may have the whole thing before them.

PLANT AND EQUIPMENT

Mr. BISHOP. There was one additional language change that we would like to call to your attention and that relates to the suggested language change regarding the plant and equipment appropriation.

Mr. GARY. That is page 115.

Mr. BISHOP. Similar language has been requested for the change in language for the administration, regional operation, and research appropriation.

I would call the committee's attention to the fact that the change in the language for the plant and equipment appropriation relates to projects, extension and modernization projects on Federal buildings, which are administered by the General Services Administration. At the time we transfer these projects to the General Services Administration for them to complete the plans and put the projects out to bid, we must obligate the funds.

We obligate those funds on our preliminary planning estimates. We have found that there are differences after a project has been finally planned and land acquired and bids let and contracts awarded, from the estimated amounts at the time of obligation when we initially transferred the project to GSA. The effect of not having the language

change is to require us to hold out funds sufficient to take into account these differences in the final cost after GSA has gotten through awarding them and completing them over and above the amounts we originally estimated.

In connection with the committee's concern regarding the research and development type contracts, our estimates, our obligations, are made prior to the award of a contract by GSA. We would ask the committee to consider the problems that we run into in slowdown when, for example, condemnations of necessary land adjacent to Federal buildings produce judgments covering land value in excess of those estimated by our people at the time of obligation. We would request the committee's consideration of this language change.

Mr. GARY. Does this relate only to the changes made as a result of changes in plans?

Mr. BISHOP. No, generally estimates of price only. We make the preliminary estimates of price. The final price is determined when GSA acquires the land or awards a bid for the work.

Mr. PILLION. I might say the language does not harmonize with the intent and the purpose that you have in mind, which is very good.

Mr. GARY. I think you will have to work out language for this also.

Mr. PILLION. It has nothing to do with a condemnation situation that would be higher. This deals with contracts, not condemnations, so I think you had better consider this along with the other ones.

Mr. GARY. And not estimates. It says specifically contracts.

Mr. STEED. If the gentleman will yield, I think one of the situations that will help describe their problem is in connection with a project they carried out in my district when they built the extension and tore in there to make the connection of the new facility. They found that the roof of the old building was in very bad condition. They did not have any funds to go ahead and put on a new roof at the time they were doing the rest of the work and so they came back 3 years later when they got money and had to replace the roof at about almost twice the cost of what it could have been done for if they had had the money at that time.

Mr. PILLION. I do not think that would change this situation. All you needed to do was to make a new contract for the roof.

Mr. STEED. They did not have any money to make it with. They were out of funds.

Mr. PILLION. This will not give you the money. This is where you have a contract for a specific purpose. A man contracts to do it for $100. Then you come back and say, "We want to give him $105." That is what this language does, exactly.

Mr. BISHOP. In order to alleviate the Congressman's concern over that type of thing and knowing what your object is, I think perhaps we can go over the language.

Mr. GARY. I think both instances are similar. There may be some differentiation but as I suggest, you have someone from the Department contact the committee and see if we cannot work out some language that will take care of what you want to do and at the same time not throw it wide open.

(The following letter, together with proposed new language, was submitted:)

OFFICE OF THE POSTMASTER GENERAL,
Washington, D.C., January 30, 1962.

Hon. J. VAUGHAN GARY,
Chairman, Subcommittee on Treasury-Post Office Department Appropriations, Committee on Appropriations, House of Representatives, Washington, D.C.

DEAR MR. GARY: During the recent hearings held on our request for appropriations for fiscal year 1963, you suggested that if our request for certain changes in appropriation language were to be given further consideration it would be necessary for us to make some modifications in our proposals. Members of my staff subsequently met with your staff and discussed further the modifications to our proposals along the lines suggested by the committee. The attached revised language proposals are submitted for your consideration.

We are also attaching proposed language requested by the committee for the establishment of a separate appropriation for the conduct of the research, development, and engineering program. The amount of funds requested for the program of $15,115,000 includes $3,500,000 for the cost of headquarters personnel assigned to the Office of Research and Engineering.

While we do not object to the establishment of a separate appropriation for this program, we feel that the only advantage that might be gained from so doing would be if the funds could be made "no-year." The ability to carry over unobligated balances in this program would give greater flexibility in its administration and permit maximum usage of every dollar appropriated to it. We have accordingly included in our proposal the necessary language to accomplish this.

The revised language requested to permit reimbursement out of current year funds of additional costs incurred by research contractors under cost-type contracts has been incorporated in the proposed research, development, and engineering appropriation.

The other language changes submitted pursuant to your request are:

(*a*) Revised language for the administration, regional operation, and research appropriation which would have to be renamed administration and regional operation with the deletion therefrom of the research program. This change in title would also have to be reflected in the operations appropriation language where reference to that appropriation is made. The revision to the proposed clarifying language for official reception and representation expenses suggested at the hearings has been incorporated in the new administration and regional operation appropriation.

(*b*) Revised language for the plant and equipment appropriation language to restrict the proposed authorization for the payment of current increases in prior year contracts (not arising from changes in plans) to orders placed with other Government agencies.

We shall be pleased to provide any further material or information which the committee may desire in connection with these matters.

Sincerely yours,

J. EDWARD DAY,
Postmaster General.

~~CURRENT AUTHORIZATIONS OUT OF POSTAL FUND~~

~~ADMINISTRATION, REGIONAL OPERATION, AND RESEARCH~~ *ADMINISTRATION AND REGIONAL OPERATION*

For expenses, not otherwise provided for, necessary for administration of the postal service, operation of the inspection service and regional offices, uniforms or allowances therefor, as authorized by the Act of September 1, 1954, as amended (5 U.S.C. 2131), ~~and conduct of a research and development program (including not to exceed $3,000,000 for current increases in prior year contracts thereunder in addition to current increases made as a result of changes in plans in [prior year] such contracts [thereunder])~~, including services as authorized by section 15 of the Act of August 2, 1946 (5 U.S.C. 55a); management studies; not to exceed $25,000 for miscellaneous and emergency expenses (*including not to exceed $6,000 for official reception and representation expenses upon approval by the Postmaster General*); rewards for information and services concerning violations of postal laws and regulations, current and prior fiscal years, in accordance with regulations of the Postmaster General in effect at the time the services are rendered or information furnished; expenses of delegates designated by the Postmaster General to attend meetings and congresses for the purpose of making postal arrangements with foreign governments pursuant to law, and not to exceed $20,000 of such expenses to be accounted for solely on the certificate of the Postmaster General; and not to exceed [$20,000] *$25,000* for rewards for information and services as provided for herein, shall be paid in the discretion of the Postmaster General and

accounted for solely on his certificate; and settlement of claims, pursuant to law, current and prior fiscal years, for damages, and for losses resulting from unavoidable casualty; [$82,000,000] *$91,194,000. (5 U.S.C. 22, 22a, 30q, 43, 61g, 73b–3, 87c, 150, 785, 836–840, 901, 911–913, 921, 922, 926, 943, 944, 1003, 1006, 1010, 1011, 1111–1114, 1124, 1133, 2001, 2061–2066, 2091–2103, 2121–2123, 2131–2133, 2201, 2203, 2205, 2301–2319, 3001–3014; 28 U.S.C. 1346, 2671–2672, 2677; 31 U.S.C. 22a, 82a–1, 82a–2, 695, 725a; 39 U.S.C. 302, 304–309, 501, 502, 504–509, 701, 702, 903, 905, 2001–2006, 2202, 2204, 2206–2208, 2211, 2302, 2304, 2331, 2401, 2403, 2409, 2411, 2501–2508, 3105, 3301, 3311, 3335, 3501, 3511–3542, 3551–3576, 5001, 5005–5007, 5011, 5101–5103, 5208, 6403; Act of July 1, 1960, 74 Stat. 296; Act of July 14, 1960, 74 Stat. 553; Post Office Department Appropriation Act, 1962.)*

PLANT AND EQUIPMENT

For expenses, not otherwise provided for, necessary for modernization and acquisition of equipment and facilities for postal purposes, including *not to exceed $3,000,000 for ~~current increases in prior year contracts in addition to~~ current ~~increases made as a result of changes in plans in~~* [~~prior year~~] *~~such contracts therefor,~~ increases in prior year orders placed with other Government agencies in addition to current increases in prior year orders or contracts made as a result of changes in plans,* [$110,000,000] *$122,000,000: Provided,* That the funds herein appropriated shall be available for repair, alteration, and improvement of the mail equipment shops at Washington, District of Columbia, and for payment to the General Services Administration for the repair, alteration, preservation, renovation, improvement, and equipment of federally owned property used for postal purposes, including improved lighting, color, and ventilation for the specialized conditions in space occupied for postal purposes. *(5 U.S.C. 22a; 31 U.S.C. 22a; 39 U.S.C. 1, 301, 309, 501, 503, 2001, 2003–2007, 2101, 2102–2116, 2202, 2507, 2509, 6003, 6009; Post Office Department Appropriation Act, 1962.)*

ESTIMATES		APPROPRIATIONS	
1962	[1] $122, 000, 000	1962	$110, 000, 000
1963	122, 000, 000		

[1] Estimate is for activities previously carried under "Facilities" and "Modernization and improvement of buildings and equipment."

RESEARCH, DEVELOPMENT, AND ENGINEERING

For expenses, not otherwise provided for, necessary for administration and conduct of a research, development, and engineering program, including services as authorized by section 15 of the act of August 2, 1946 (5 U.S.C. 55a), and including not to exceed $3 million for reimbursement of additional costs incurred by contractors under prior year cost reimbursable contracts in addition to current increases in prior year orders or contracts as a result of changes in plans under such program, $15,115,000 to remain available until expended.

Mr. BISHOP. We will be glad to do that.

Mr. GARY. Thank you, gentlemen. This concludes the Post Office hearings. I think it has been a very satisfactory hearing.

Mr. BRAWLEY. Mr. Chairman, I would like to say, representing the Postmaster General, we certainly appreciate the kindness and courtesy you have extended us. Once again we have learned much from our appearance here. We hope we have been able to give you most of the answers you desire. I want you to know we most sincerely appreciate your kindness and the fact you have been so helpful to us.

Mr. GARY. I think you all have been very frank and have covered the subject in a very comprehensive manner. We thank you for the way that the hearings have gone along. I think the progress we have made attests the fact that we have gotten along extremely well.

Mr. PILLION. We maintain a very high respect for the gentlemen operating the Post Office Department.

Mr. BRAWLEY. I want that to be clearly understood that we in the Post Office Department maintain the same high respect for this committee.

Mr. GARY. Thank you, gentlemen.

THURSDAY, FEBRUARY 8, 1962.

STATEMENT OF UNITED FEDERATION OF POSTAL CLERKS

WITNESSES

JOHN F. O'CONNOR, LEGISLATIVE DIRECTOR
PAUL A. NAGLE, ADMINISTRATIVE VICE PRESIDENT
WILLIAM J. McGRATH, ADMINISTRATIVE AID

Mr. GARY. Mr. O'Connor, I understand that you represent the United Federation of Postal Clerks.

Mr. O'CONNOR. That is right, sir. I am the legislative director.

This is William J. McGrath, administrative aid, and Paul A. Nagle, administrative vice president.

Both Mr. Nagle and I intend to testify or submit a statement, whichever is the most appropriate so far as your feelings are concerned.

I would like to say a few words concerning the guidelines in the postal service, which is of great interest to our membership as you probably realize; and Mr. Nagle desires to testify on the mobile units in the postal service.

If you wish, I will read the testimony.

Mr. GARY. All right, sir. We would be very glad to hear from you at this time.

Mr. O'CONNOR. Mr. Chairman and members of the committee, for the purpose of the reocrd my name is John F. O'Connor, and I am legislative director of the United Federation of Postal Clerks. This is a merged organization composed of the former National Federation of Post Office Clerks, the United National Association of Post Office Craftsmen, the National Postal Transport Association, and several local branches of the United Postal Workers.

I desire at the outset to express the appreciation of our organization to the chairman of the committee in allowing us an opportunity to present some of our viewpoints concerning guidelines as operated in the Post Office Department.

May I assure you that post office clerks as a group have tremendous pride in their jobs and in the postal service. They are cooperative, dependable, and accurate, and they make an all-out effort to meet their obligations to the postal service in the handling and dispatch of mail. This pride in their jobs has been reflected and is still reflected in the fine opinion that the public has of postal employees.

It is apparent that this fine opinion of post office clerks is not shared by the Post Office Department. The Department within recent years has instituted a series of orders that have caused the initiation into the postal service of several speedup systems, such as work performance standards, basic motion time, and the present distribution guides programs. These are work-counting systems that have nothing to do with automation or modernization. We do not oppose progress or modernization made in the interest of improving the efficiency of the postal service and lightening the burden of the postal employee which is necessary in this present enlightened and modern age.

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The distribution guides system is definitely not modernization, but a speedup system affecting individual employees adversely, despite assurances that there was no intention of permitting this system to harass or penalize the post office clerks. This system cannot help but pit employee against employee, post office against post office, supervisor against supervisor, and even postmaster against postmaster against postmaster. It has and will cause dissension and poor management-employee relationship.

The American people are paying for, and are entitled to, good postal service. When dissension and poor employee morale are allowed to exist, and even encouraged, the people of this country are not getting the best postal service. We want to provide good service; however, we need help, not hindrances.

Information given us by the membership of our organization throughout the country indicates the following:

(1) The distribution guide system makes no provision for disabled veterans and old clerks.

(2) It has increased nightwork.

(3) It has increased the number of supervisors and statistical employees; all of these are to be justified by the work of the distributor.

(4) It makes no recognition of the different types of distribution cases in post offices.

(5) The Department pamphlet states that they recognize variables, but in actual practice they do not recognize the different types of facilities in various post offices throughout the country, inasmuch as the guides are the same in all post offices.

(6) It makes no differential between long and short letters.

(7) It is not an accurate count of mail, inasmuch as we find that there can be a 250-piece variation in 2 feet of mail.

(8) It cannot be a minimum guide, as stated, inasmuch as the work performance standards show that the average distribution by employees throughout the country on a WPS pure distribution to be 22 to 23 pieces per minute.

(9) The total WPS figure, which gives an overall picture, differs from the guidelines figure, which is an individual picture, in that the records show WPS figures to be higher. This indicates an inaccurate check of mail distributed.

(10) Employees are shifted from one case to another, or from city to mailing division, or vice versa, resulting in lower production credits so essential to efficiency requirements. Time is not allowed to the clerk that he may become acclimated to a different case.

(11) We find that there can be no accurate count of mail as some trays are very tightly packed and others are loosely packed. Clerks also pick up mail and load their own ledges. Clerks keep a record of their own time used on nondistribution, such as picking up mail and tie-outs. All of this can lead to an incorrect measurement of mail.

(12) The nondistribution item on the card causes a distributor's record to be poor, even though that distributor may be employed in an important phase of the work.

(13) This system, like other speedup systems cause clerks to be under extreme tension bringing about nervousness and disturbed feelings.

(14) This system has resulted in making cheats out of some post office clerks, inasmuch as it is quite easy in many post offices to pick up extra slips showing production for mail that was not actually worked.

(15) While the Post Office Department has assured employees that this system is not to be harmful in any way to them, it is noted that distributors who may not have attained a so-called satisfactory level of performance have, in altogether too many cases, been penalized. As an illustration: During the recent Christmas rush in the Brooklyn post office 14 distribution clerks out of hundreds were denied overtime because they had allegedly not met the minimum standards. Among the 14 there was one man who had been seriously injured on duty, and who had not as yet fully recovered from his injuries. Among the others were older employees who were unable to meet the standards.

The AFL–CIO of which we are a member, recently held a meeting of Union Industrial Engineers and Researchers with responsibilities in that area. Dr. Malcolm H. Gotterer of the University of California told this meeting that predetermined motion time systems, management's latest techniques for setting work standards do not work well; cannot be justified and have no scientific basis.

They have values for management, he said, so long as they are used for purposes which have no direct effect on workers. They should not be used, he maintained, to set production standards which workers would have to meet to hold daywork jobs, or as a basis for wage incentive systems.

Gotterer, after a decade of business experience as an industrial engineer, management consultant and administrator, decided to return to the academic world and work for advanced degrees. For his doctoral thesis he undertook research into predetermined motion-time systems. Under these systems industrial engineers do not make time studies of an operator at work, but instead apply tables of predetermined times to basic body motions.

Gotterer expected to end up with objective proof that the systems are good for management and for labor relations, but instead found the opposite to be true.

Organized labor has frequently attacked the motion-time systems because they fail to take into account the human element in the production process.

The recent AFL–CIO convention in a resolution declared that these and other so-called statistical techniques for setting production standards "are based * * * on false assumptions which have historically characterized the work of the management engineer."

"When applied to the work place these techniques yield results which are neither accurate, reliable or valid," the resolution said.

All too often workers find, it went on, the alleged "scientific" method "merely is a device to circumvent established bargaining arrangements."

The resolution urged affiliates to make all members aware of the threat of such practices to working conditions and to bargaining; to fight the spread of abusive and arbitrary applications of questionable industrial engineering techniques; to persuade industrial engineers to channel their efforts to the basic human problems of work, and to take advantage of the AFL–CIO Union Industrial Engineering In-

stitutes, held annually at the University of Wisconsin, to train union representatives to cope with the new systems.

The AFL–CIO has also the following to say concerning methods-time measurement:

1. The ordinary stopwatch time study involves use of a leveling or rating factor. This is the time study man's guess. He puts down a percentage figure which is supposed to indicate the degree to which the worker studied was performing faster or slower than some hazy idea of normal. The same guesswork was involved in computing the times appearing on the methods-time measurement card.

2. Methods-time measurement is not, in principle, a new technique. Industrial engineers have sought for many years to compile what they call standard data which could be applied to a wide range of jobs. The same exaggerated claims that are now made for methods-time measurement were also made for earlier systems of the same type. The unscientific character of all these systems is conclusively demonstrated by the fact that each of them is inconsistent with all the others. This fact provides further evidence that the inventors of these systems use opinion and judgment rather than scientific method.

3. The advocates of methods-time measurement claim that is more consistent than time study. They argue that under their system the same time will be allowed for the same motion no matter what the job in which that motion occurs. This is, in fact, a serious defect of the system rather than a major virtue. Experiments have shown that the time required for any motion will vary, depending on the nature of the motions which precede and follow it.

4. With a great show of scientific honesty and sincerity, the inventors of the system have offered to throw open to examination by impartial scholars the detailed data on which their system is based. In the one instance we know of where they were given a chance to make good on their offer, they refused to produce the data. Apparently they have something to hide.

The present administration of the Post Office Department has recognized in part that there is some validity in our objections to the guidelines system. They, therefore, are presently engaged in studying individual offices. From what meager reports we have on this new study we are afraid that little or no consideration will be given to the human element. We are fearful that if and when post offices are set up on the individual basis that it will be still on the basis that each human being is exactly alike, or similar to, a machine.

From the information we have from our membership it appears that those presently studying and preparing for the new system are more greatly concerned in setting up distribution cases on the basis of density, or of arranging the cases in such a manner that the greatest number of pieces of mail will go into the middle of the case.

This problem of guide lines in the postal service is still of great concern to our membership. As a result of this concern, our national executive board, meeting in Washington, the latter part of January, passed the following resolution:

Whereas the United Federation of Postal Clerks, AFL–CIO, has opposed the work measurement program as detrimental to the postal service; and

Whereas the cost of this program does reflect an increase in the postal deficit; therefore be it

Resolved, That in the best interests of the postal service the United Federation of Postal Clerks, AFL–CIO, urge the House Post Office Committee and the Senate Post Office Committee to conduct a full investigation as to the complete cost of the work measurement program; and be it further

Resolved, That in any survey to determine these costs all time utilized by all employes and all management officials in any phase of the WMS be compiled as part of the true costs.

This resolution was passed because, while we have no definite knowledge, we do have some reason to believe from the information received

from our membership that the actual costs of the operation of this system is much greater than the alleged savings.

It is our opinion that the distribution guide system in the postal service is a detriment to the postal service and to post office clerks. We believe that the Post Office Department, in using this system, is sacrificing the morale of the employees and their pride in their job as post office clerks. They are also sacrificing accuracy for speed in distribution of mail. We believe that this can, and has only resulted in harassment of employees by many postmasters and supervisors, and will also result in penalizing many employees through disciplinary action.

We do not condone any employee not faithfully performing his duty as a post office clerk. And, we do not condone the Post Office Department for continuing a system that substitutes poor morale for good morale; noncooperation for cooperation; inaccuracy for accuracy; undependability for dependability; and dishonesty for honesty.

We believe that greater efficiency can be attained by improving working conditions for employees rather than installing speedup systems. There is a very definite need in the postal service for better lighting, cleaner buildings, air conditioning, improved working facilities. All of which automatically lead to improved morale and greater efficiency on the part of the employee. We further believe that it is more important to move and deliver the mail than to measure it.

In closing, may I assure the committee that we appreciate the opportunity to present our viewpoint and thank you very much for your consideration.

Mr. GARY. Thank you, Mr. O'Connor. We are very glad to receive this statement from the representative of the postal clerks. I am sure every member on this committee has a very high regard for postal clerks and knows that they are a group that are dedicated to their service.

Mr. O'CONNOR. Mr. Chairman, I want to again assure you we appreciate the opportunity of presenting this statement. I want to reiterate, as I said before, a couple of times, in my statement and prior to this statement, that this is of great concern to our people. It is not something that we as national officers bring up to try to make a case. For instance, this morning I received a letter from the president of one of our large locals, Birmingham, Ala., telling me that in his opinion the eliminations of the WMS is more important than the pay raise. I do not believe the membership would believe that but that is how serious they feel about it. It is bothering them.

Mr. GARY. Thank you, sir. Mr. Nagle, we will be pleased to have your statement at this time.

STATEMENT OF MR. PAUL A. NAGLE

Mr. NAGLE. Mr. Chairman and distinguished members of the committee, my name is Paul A. Nagle and I am administrative vice president of the United Federation of Postal Clerks representing postal clerks assigned to duty in railway post office cars, highway post office vehicles, and in post offices including the parcel post handling centers of the Post Office Department.

Mr. Chairman, allow me again to express my hearty gratitude for the opportunity to appear before your august body and to express the views of the United Federation of Postal Clerks in regard to the allocation of funds for the operation of the Transportation Bureau of the Post Office Department for fiscal 1963.

When last previously I appeared before your distinguished subcommittee, I was president of the National Postal Transport Association. The change in designation has been accomplished by virtue of a merger between the National Federation of Post Office Clerks, the United National Association of Post Office Craftsmen, the United Postal Workers and the National Postal Transport Association. The merger took effect on July 1, 1961, and the combined organization continues to exercise the same active interest in postal problems that its separate components demonstrated prior to the amalgamation.

Mr. Chairman, the most serious single hazard confronting the Post Office Department today, it seems to me, is the danger that moneys will either be allocated or withheld because of elusive and illusory economies. A year ago you were very much interested in the mechanization program of the Post Office Department and by virtue of the wholesome concern of this subcommittee, coupled with the enlightened leadership of the Post Office Department as exerted by Postmaster General Day and Deputy Postmaster General Brawley, the mechanization program has been put into its proper perspective. Accordingly, Postmaster General Day was able to say just a few weeks ago at the convention of the National Association of Postmasters of the United States:

> We are not talking about bouncing messages off the moon or shooting a handful of letters a few miles by rocket to grab headlines. When we talk about mechanization, we are definitely excluding the gimmicks and gadgets for their own sake.

Mr. Chairman, I associate myself with the remarks of the Postmaster General, and believe his remarks to be extremely apt in their being applicable to transportation gimmicks as well as mechanization gadgets. One such transportation gimmick is the metropolitan area plan which was established several years ago and which is founded on the idea that the truck, today's most routine transportation medium, is also the most revolutionary.

A study by the General Accounting Office has caused a wave of concern over the cost of distribution en route in mobile units, both highway post offices and railway post offices.

In the opinion of the United Federation of Postal Clerks it would be as great a mistake to look at the simple claims of economies to be realized by diversion of mails from en route distribution to static transportation as it is to be seduced by the glowing claims of the publicity agents for the producers of automated postal equipment.

One of Postmaster General Day's most imaginative programs is the nationwide improved mail service (NIMS) program brought forward by Operations Assistant Postmaster General Frederick C. Belen. To the extent that the NIMS program would be implemented by expedited handling of mail in transit, the basic program of the Day administration would also be implemented.

Shortly after President Kennedy announced his intention to explore carefully the transportation needs of the Nation and the conditions

facing each of the segments of the transportation industry, I had one of my most wholesome experiences as a national officer of our organization. In calling to his office the various representatives of the several transportation media, Assistant Postmaster General William J. Hartigan invited me to be present and to express the employees' viewpoint on the way in which the overall transportation situation in the Nation is affected by postal transportation policies.

Since that happy day, the rigid fixation of the General Accounting Office on potentially attractive economies, has caused a wave of curtailments and prospective curtailments which must affect the railroad industry most particularly. President Loomis of the Association of American Railroads has said:

> Nineteen hundred sixty-two could prove the turning point in the railroads' fortune. We are encouraged by the concern being shown by the administration, and hope this will result in legislative recommendations that will help to restore health and vitality to the industry. We are also heartened by the great increase in public understanding of the railroads' difficulties, and the public demand for remedial action by Congress.

Addressing the 16th Annual Railroad Management Institute at American University on January 8, 1962, Mr. Loomis pointed up the way in which in considering outlays for rail transportation, attention must be directed to the tax return by railroads. He said:

> To put this in focus, let us examine, for instance the industry's taxload. Out of the railroads' total taxpayments of $1.1 billion in 1959, $422 million went for property and miscellaneous taxes to State and local governments. In contrast, all such taxes paid by regulated trucklines, airlines, intercity buslines and inland water carriers were only $35 million.
>
> Out of each dollar of revenue the railroads paid State and local governments nearly 3 times as much as bus lines, 9 times as much as water carriers, 10 times as much as trucklines and 14 times as much as airlines.

Postmasters General have consistently appeared before this distinguished subcommittee to declare that the withdrawal of railway passenger service poses a serious problem in postal transportation. In his comments at American University, Mr. Loomis said:

> Since 1946, radical changes have occurred in passenger movements. Air travel between cities by 1960 reached nearly six times the 1946 mark, while travel by private auto—which accounts for 90 percent of all intercity passenger-miles—rose to 2½ times that of the first postwar year. Simultaneously, intercity passenger-miles by railroad dropped to less than one-third of the 1946 total.

Postal transportation policies have aided and abetted that curtailment trend because when postal traffic is withdrawn, entire trains frequently cease to operate.

Specifically, I am told that the proposal of the Dallas postal region to withdraw railway post office service between Monahans and El Paso, Tex., will result in the withdrawal by the Texas & Pacific Railroad of trains 7 and 8 between those points. I am told that passengers on train 7 account for 36 percent of the revenue of that train and on the combination of trains 7 and 8 passengers account for only 50 percent of the total revenue. The balance of 64 percent on train 7 alone and the 50 percent on trains 7 and 8 in combination is made up by mail and express.

It seems to me that your committee is confronted with two resposibilities in the extent to which it considers postal transportaion policies and pracices and the availability of Federal funds for the operation of that branch of the Government. These are:

(1) The degree to which withdrawal of train service as a result of withdrawal of postal revenue impairs the overall health of the railroad community in the United States; and

(2) The extent to which withholding of postal traffic and consequent impairment of railroad service increases the prospect that the railroads will be forced most reluctantly to request subsidization from the Federal Treasury.

A persuasive argument can be made that the railroads are already in need of subsidy. Certainly the interests of the taxpayers of the United States are served best by avoiding subsidy. The inescapable conclusion then is that the best way to serve the interest of the taxpayer is to use Federal money wisely in both service to the postal patron and maintenance of a healthy railroad industry.

In my carefully considered judgment, the greatest value to the postal patron is served by intelligent use of en route distribution facilities. In 1955 there was presented to this distinguished subcommittee a statement from the National Postal Transport Association purporting to show that the use of en route distributing facilities is a terrific service to the postal patron and a tremendous transportation bargain. Paradoxically, although the small railroads of the United States are the ones which furnish the greatest transportation bargain by reason of the mileage payment system for railway post office cars, it now appears that these smaller railroads are the ones who are most liable to adverse action under the procedures set in motion by the recommendations of the General Accounting Office.

The city of Philadelphia has been operating a city-sponsored bargain-fare commuter service to attract passengers to the rails and away from the expensive and overcrowded highways. Those bargain fares have increased commuter traffic by 44 percent since the plan was begun in 1958. It may be argued that in view of the Federal contributions to highway construction that it is well to make the maximum use of the investment. It can be argued even more convincingly however that the best bargain is to insure a balance in the transportation industry: to serve the postal patron well and perhaps even more importantly, to protect the daily interests of the taxpayer of the United States. To the extent that increased rather than diminished use of railway service for transportation of mail would implement those objectives, I plead with this distinguished subcommittee to recommend expansion of the railway post office service.

To the extent that expanded use of highway post office service would serve the postal patron at competitive rates and would impose no significant added burden to the highway structure, I plead with your committee, Mr. Chairman, to propose that the Post Office Department be requested to examine its transportation policies with that purpose in mind.

If I may, Mr. Chairman, just about a year ago I had the opportunity to sit down with the distribution traffic manager of the Washington area, which includes the State of Virginia and discuss a program which involves the diversion of mail from the railway post office and railway trains to trucks and in conjunction with 1 year, or almost 1 year examination of what has taken place in the State of Virginia, I am not planning to submit to Assistant Postmaster General Hartigan a series of proposals involving a declaration that we

cannot accept the reports so far made on the validity of the program now in progress in Virginia.

For example, I have referred to the way in which the curtailment program, as recommended by the GAO, is resulting in curtailment, and there are highway post offices radiating out of Richmond which when they come up for the reappraisal or renewal of the contract, they are certain in my opinion, under the program now in effect in the Washington region, to be recommended for discontinuance.

On February 17 there is to be discontinued a highway post office in south Georgia between Atlanta and Albany and on March 17, two more highway post offices are due to be discontinued in that area.

On a certain date an important segment of the Illinois Central, Central of Georgia, Florida East Coast train from Chicago to Miami to be discontinued between Birmingham and Albany, because the Post Office Department is going to withdraw from that train the postal service between the two points I mentioned. So these things have an overall impact on the general conduct or the general transportation of mail.

Specifically, I referred to the recommendation that I intend to make to Mr. Hartigan. I intend to suggest that the surveys that have been made of the program in Virginia are being made by the same people who advanced the program and in order to establish the validity of the program there should be five points established.

Mr. Chairman, once more I declare to you my sincere gratitude at the opportunity to appear before you and I reaffirm my carefully considered belief that the transportation perspective of the entire Nation continues to be in jeopardy because of the prevailing postal transportation policy. I appeal to your committee, Mr. Chairman, to help to restore the clarity of transportation perspective which is so essential for the good of our Nation.

Mr. GARY. Thank you, Mr. Nagle. The postal clerks have been very ably represented. We are pleased to have had both of you gentlemen, you and Mr. O'Connor here, to represent them.

We are also glad to have had Mr. McGrath appear before the committee.

THURSDAY, FEBRUARY 8, 1962.

STATEMENT OF NATIONAL POSTAL UNION

WITNESSES

JOHN W. MacKAY, PRESIDENT
DAVID SILVERGLEID, NATIONAL SECRETARY-TREASURER
WALTER O. NOREEN, EXECUTIVE VICE PRESIDENT

Mr. GARY. We have with us Mr. John W. MacKay, president of the National Postal Union, who desires to testify on behalf of that union.

We shall be pleased to hear from you, Mr. MacKay.

Mr. MACKAY. My name is John W. Mackay and I am privileged to serve as president of the National Postal Union, located at 509 14th Street NW., Washington, D.C. We represent approximately 40,000 postal employees situated in over 350 local unions located in 46 States, the island of Puerto Rico, and the District of Columbia. In the Dis-

trict, incidentally, we now have the largest single local union of postal workers, with nearly 1,200 members affiliated.

I am accompanied here by Mr. David Silvergleid, our national secretary-treasurer, and Mr. Walter O. Noreen, our executive vice president. Mr. Silvergleid is a veteran postal employee with over 30 years of service at Brooklyn, N.Y. Mr. Noreen has been an employee of the post office at St. Paul for 19 years and was recently elected to a full-time position at our national headquarters. My permanent residence is in Los Angeles, Calif., where I have been associated with the postal service over 24 years, with the exception of two leaves of absence due to military service with the U.S. Marines during World War II and Korea.

We are grateful, Mr. Chairman, for this opportunity to testify before your committee. This constitutes our third appearance here and we appreciate this significant privilege.

We request your indulgence momentarily to briefly recount our continued progress subsequent to our last meeting here with you on March 13, 1961. Since that date, we have added an additional 8,000 new members and the number of our affiliated locals has increased. Our health plan enrollment has recently grown from 17,500 to 25,000 members, representing approximately 75,000 dependents. The health plan contract was renegotiated with the U.S. Civil Service Commission shortly prior to the recent reenrollment period from October 1 to 16, 1961. During the year and a half of our health plan operations, we paid claims in excess of $2 million and have been able to acquire reserves totaling close to $1 million to offset future contractual obligations.

In our testimony today we will refer to your hearings in 1961, as well as the concept of postal operations being administered by the New Frontier administration. We are particularly concerned with the Bureau of Operations, the Bureau of Personnel, the Inspection Service, the Bureau of Facilities, and regional administration.

In many important and significant aspects there has come about an amazing transformation in the conduct of postal affairs during the past year. Postmaster General J. Edward Day emphasized, before your committee in February 1961, his desire "to elevate the postal service" to the point where it will merit and enjoy the full confidence and respect of the people it serves. We believe a good forward step has been made in this direction, due primarily to an enlightened and considerate attitude with respect to the individual employee because of the comprehensive knowledge he has gained through years of devoted service. More and more there is a desire to consult with the employee and/or his union organization, to at least ascertain if his experiences and ideas might contribute to an improved postal service. The Postmaster General emphasized this approach in his 1961 statement and labeled it "motivation." He envisioned greater respect and appreciation for the "dignity of the postal worker" in order to more appropriately utilize the "amazing manpower resources of the Department."

During the first year of the Day administration, we have found ourselves in basic disagreement with departmental policy on several

occasions but we have experienced a degree of consultation without precedent, to our knowledge, in the annals of postal employee-management relations. During this year, there has hardly been a week go by that we have not been invited by departmental officials to submit our opinions or reactions to various procedures, regulations, or methods incorporated in the Postal Manual. In all of these exchanges of opinion, there has emerged an evident and sincere effort by the Department to at least understand and know how the employee reacts to various phases of postal operations.

BUREAU OF OPERATIONS

In our statement to the committee last year, relating to the Bureau of Operations, we emphasized our concern over the subject of guidelines, an integral phase of the work measurement program, and Public Law 68, the Postal Field Service Classification Act. We would like to reiterate every statement we made at that time setting forth our opinions on these major issues.

Included in our statement last year was a lengthy presentation we submitted to the House Post Office and Civil Service Committee in support of the Karth bill to revise Public Law 68 so as to eliminate many of the inequities contained therein. This year we have endorsed the Morrison bill, H.R. 9531, to provide long-needed boosts in the field service salary schedule and we will seek action thereon by both the House and Senate Post Office and Civil Service Committees. In this action, however, we do not abandon the objectives we espoused last year to provide time and one-half premium pay for all work performed in excess of 8 hours in 1 day, or 40 hours in 1 week by all postal workers, including substitutes and temporaries.

We believe the retention of the substitute and temporary employee status, throughout the postal service, is not only a deplorable carryover from the 19th century but a blot on fair labor practices within the Federal service. There is no counterpart to the substitute postal employee in any branch of Government service. We believe the elimination of this antiquated, cheap labor device is long overdue.

Now, on the subject of guidelines, we come to one of the most controversial and misunderstood practices in current-day postal procedure. We believe the members of this committee will recall our emphatic objections to guidelines as submitted here 1 year ago. Our objections on that occasion were not only conveyed to the members of this committee, for the second year running, but were also incorporated in a 9-page letter mailed to each Member of the Congress on May 20, 1960. We have copies of that letter available for your inspection today and it is prophetic that several of the observations and predictions we made at that time have now come to pass.

We believe the retention of the substitute and temporary employee that no employee would ever be hurt by guidelines. We were told that work measurement was a management tool that would prove helpful in productivity and its use as a disciplinary device would never be tolerated. We did not believe the promises made at that time. We now have witnessed how baseless and irresponsible they became.

It is ironic that the postal installation responsible for the introduction of guidelines should also be the scene of the first organized

penalization of postal workers for failing to meet the so-called standards of production. During the recent Christmas rush in the postal service, the postmaster at Brooklyn, N.Y., denied 14 employees the right to perform service on Saturday and Sunday, December 16 and 17, at overtime rates of pay, because they allegedly failed to meet production requirements. We submitted a strong protest to the postmaster and subsequently to the Department over this disciplinary action. First, we objected because the postmaster at Brooklyn had promised, on February 10, 1960, that the guidelines was "not a speed-up" program nor a "punitive" program. In fact, the postmaster went on to say at that time that "What happens to the counseled employee? Nothing. That is nothing punitive." Secondly, our protest was based on the fact that the Department, approximately 6 or 8 months before the Brooklyn Christmas incident just cited, had promised that work standards would be revised in the various postal installations to make the system more acceptable. There was no revision in the Brooklyn post office nor had there been any in most other postal centers at that time though we understand effort is now being made to follow through on that promise.

Due to the denial of Christmas overtime on December 16 and 17, 1961, 14 clerical distributors in the Brooklyn post office lost approximately $60 apiece and were deprived of this greatly needed emolument during the holiday season when it is needed most. In a sense the Brooklyn incident would be humorous, were it not so tragic for those involved, for in the Brooklyn office the same type of guidlines operation prevails that we endeavored to describe to this committee 1 year ago when we submitted a description of the procedure, as prepared by our local affiliates in Long Beach and Los Angeles, Calif. We said then and we say it again today, the guidelines work measurement system is a farce, a fraud, and a waste of time, energy, and postal moneys. The production figures are unreliable and the total personnel assigned to the administration of the program alone is such as to entail an unnecessary expense, according to the Department's own figures, in excess of $4 million annually.

An even more ridiculous incident occurred during the Christmas holidays when the postmaster at Duluth, Minn., issued an order that all mail distributors failing to meet the production average, established in that office as 121 percent minimum, would be subject to corrective action in accordance with counseling and disciplinary provisions of the postal manual point 17.52.

In other words, 100 percent was not good enough in Duluth. Clerical personnel were harassed and badgered into boosting their productivity to 121 percent or more, rather than be subjected to further consultation and disciplinary treatment. Fortunately, our protest to the regional director at Minneapolis helped in stopping this nonsensical approach before any damage was done. There have been presented to your committee a volume of testimony relating to the guidelines controversy. However, we believe one of the most significant statements is contained in a letter we recently received from an affiliate of this union, a second clerical distributor with over 20 years of service in the Los Angeles office. The letter is as follows:

> In the event that you are intending to make an appearance before the Appropriations or the Ways and Means Committee of the House or Senate, I think you should mention this fact in connection with the drive to raise postal rates.

I understand that one of the rates which may be raised is the airmail rate for letters. To me this is rank injustice and most unfair to that part of the public who use airmail regularly. Much mail is sent by air when prepaid at only the first-class rate. It is done regularly and has been handled this way for the past 2 or 3 years, up and down the coast, across the continent, et cetera. About a week before Christmas in 1961, the 17th or 18th of December, one of my clerk coworkers and I were working the city mail. I had a tray of mail from Dallas. It was not airmail, first-class, and no effort had been made to take out the Christmas cards prepaid with 3-cent stamps nor the postal cards and it all had been postmarked in Dallas at 6 p.m. I was working it between 10 p.m. and midnight the same night.

My colleague had a tray identical to mine from Honolulu which had been postmarked at 4 p.m. the day before. It was obvious that both trays had come in by jet. Now when this is so, and presuming that the Department can afford to send ordinary mail by air, why should the airmail rates be raised? Isn't it unfair? I know I resent it. And the crowning insult to all of this is that it is a rare thing to work a tray of incoming mail from one of the large eastern cities which has come out on a train and not find some among it which has been prepaid for air and has never received the service for which the sender paid. This is a direct result of guidelines. In all the big offices the harried clerks are so intent on keeping up their production that they cannot do their work accurately. I suppose what we send out is as bad. Wouldn't a more sensible answer be the abolition of guidelines and give the mail the service which the sender has requested and paid for?

That letter will be included in our statement.

Before we leave this subject, we cannot help recall the many questions propounded to the Department by this committee as your hearing last year; two, we are also endeavoring to ascertain the complete findings of the Bureau of the Budget as submitted to the committee on this project last January 25, 1961.

In the face of all this documentation, we are often reminded of a visit we recently made to a medium-sized WMS postal installation in Virginia. On that occasion, during a talk with one of the officials there we got onto the subject of guidelines. The official was in thorough agreement with our views on the worthlessness of the program, and stated that when the going got rough, the mail started to pile up, he ordered the employees to forget about the system, never mind filling out the forms, but just work up the mail to meet the next dispatch on time.

That happened at one of our offices down in Virginia.

BUREAU OF PERSONNEL

We have commented previously on the extensive degree of consultation now bein afforded the representatives of postal unions under the new administration. The focal point for this activity is centered in the Bureau of Personnel under the very capable administration of Assistant Postmaster General Richard J. Murphy. One year ago we reported to you on the sagging labor-management relations that prevailed in postal affairs over a seeming reluctance to ascertain employee sentiment. We believe it would be inconsiderate of us if we should fail to give credit where credit is due over the correction of a basic fault. Frankly, we have been encouraged and enthusiastic over the remarkable transformation of policy brought about in the Bureau of Personnel during the past year. We certainly have not sold the Post Office Department on several of our ideas, but we have been given every opportunity to advance whatever opinions and ideas we may have had on the controversial aspects of postal employment.

While much progress has been made to date, there is still room for improvement in the time required to process personnel appeals, particularly as they relate to disciplinary actions. We recognize the advent of the new administration created a considerable backlog of appeals, but nevertheless there has been a frustrating delay in adjudicating such matters. In conversations with the Postmaster General, the Deputy Postmaster General, and the Assistant for Personnel, we have been assured more expeditious action would be given these matters. However, despite these assurances, it is not uncommon to find a disciplinary appeal requiring anywhere from 3 to 8 months for an ultimate decision.

The creation of a specialist in employee-management relations to handle personnel issues in each region has recently been put into operation, and we are watching the progress of this innovation with considerable interest. It is still too early to assess the overall benefits to be gained by this regional approach to improved employee-management relations. However, there is good reason to believe that the harsh, disinterested attitudes evidenced by some postal regional directors during the past several years will be replaced by a more cooperative and considerate relationship.

INSPECTION SERVICE

As you well know, there are now approximately 1,000 post office inspectors whose costs to the Department approximate $16.5 million annually. One year ago, we commented briefly on this phase of postal operations to urge the elimination of the inspection service from the management field. While we believe there has been some improvement in this situation, we must reemphasize our contentions that the inspection service should be primarily assigned to the protection of the mails, and the related duties essential to safeguarding postal facilities and properties.

We still encounter frequent instrusions by the inspection service in management prerogatives which we believe should be the exclusive jurisdiction of the postmaster and appropriate Post Office Department officials. Very recently, one of our members assigned to duty in a North Carolina postal installation received a letter of charges from an inspector in which he was requested to show cause why his employment should not be terminated. We requested a hearing for the accused, which was ultimately provided, after the inspector, acting through the regional director, had already made a decision to remove the employee. We requested that the termination be held in abeyance pending the hearing. We are happy to report that the hearing committee of three, consisting of two postal supervisors and a clerk, found the charges without any foundation in fact, and recommended that they all be dismissed.

We have just recently been advised the regional director concurred in the decision of the hearing committee and dismissed the charges and retained the employee in his previous position.

Surely, there is something amiss in a situation of this type, when so much time and effort are devoted by the inspection service to a phase of operations which should be the province of the postmaster and other administrative officials.

FACILITIES

We continue to be amazed at the thorough study and evaluation evidenced by members of this committee as it relates to the Bureau of Facilities, the Division of Research and Engineering. We know you are conversant with the Department's complex plant and equipment program that provides the buildings and equipment in and with which our members must work.

Last year we cited three installations that we believed warranted new postal centers, that is, San Juan, P.R., Garden City, Long Island, N.Y., and Alexandria, Va. We would like to repeat our statements made concerning these installations, with the hope that new buildings will soon be on the planning boards for each.

We would like to request the committee to give serious consideration to expanding and expediting the Post Office Department's air-conditioning program. In those areas of the country which are ordinarily afflicted with uncomfortably hot weather conditions during the months of June through September, the need for relief has become acute.

Last year, the Department reported on an air-conditioning program which encompassed something over 200 of the "smaller buildings." Work was also started in some of the larger eastern offices, including Manhattan and Philadelphia. However, no immediate plans have been made public to provide postal employees in many other big cities in the same area any form of relief. For instance, there were times during the summer of 1961 when the temperature on the work floors of the Brooklyn, N.Y., post office registered over 105°. The same situation applied to Manhattan, Bronx, Newark, N.J., Jersey City, N.J., and the Philadelphia post offices. In the Brooklyn office, due to excessive heat, chunks of plaster frequently dropped from the work floor ceilings, constituting an unnecessary hazard to the employees.

We suggest that an emergency condition now exists which requires a speedy solution.

Recently, we had an opportunity to visit the main post office in Elizabeth, N.J., which is sadly in need of replacement. Conditions in the Elizabeth office almost defy description, for postal workers there are now compelled to perform duties in the basement quarters originally intended for storage purposes. There is no ventilation in the basement of this building, except two small windows in the rear of a huge floor area incorporating approximately 30,000 square feet. Another small rear window, used as the opening for a coal chute, is located immediately adjacent to the parcel post distribution center. When the coal is delivered, the dust permeates the atmosphere in thick clouds, thereby creating a most unhealthy environment for employees in the basement area. We are preparing a visual picture portrayal of this deplorable arrangement, and will make vigorous appeals to the Department for the building of a new office in this locality.

In our testimony before this committee last year, we stressed the plight of custodial and maintenance employees in the postal service, particularly with respect to their overtime employment during Christmas. We emphasized that these employees were not accorded any consideration insofar as the opportunity to perform overtime was concerned, and that this was frequently placed at the door of this

committee. Invariably, postal officials would respond to requests for an overtime allotment for custodial employees by stating that no moneys had been appropriated for such purpose.

This past Christmas period, employees in the custodial and maintenance service received much more consideration with respect to the performance of overtime service than in the past. We wish to express our appreciation to the members of this committee for the part they must have played in effecting this result. However, we again point out that while there was improvement, the results are still not entirely satisfactory on a comparative basis. We request the committee to give this matter attention and consideration, with a view to placing custodial and maintenance employees on as equitable a basis as possible.

SUMMARY

In summation, as we conclude our statement before your committee, we would like to express our appreciation to you, Mr. Chairman, and to the other members, for enabling us to testify today. We would like again to emphasize our abiding interest in the entire subject matter of your hearings. We continue to receive many inquiries from our affiliates on the scope and degree of your deliberations concerning the postal service. We call your attention to the fact that we were notified yesterday evening at approximately 5:30 p.m. that we would have an opportunity to testify before you today. We are very grateful for this privilege, and we regret we did not have much time in which to prepare our presentation.

Mr. Chairman, with your permission, we would like to be given the opportunity to submit a more complete written statement to appear in the record of the hearings of this committee. Thank you, sir.

Mr. GARY. You may do so, Mr. MacKay. We are pleased to hear from you. You have made a very able presentation on behalf of the members of your organization. We shall be very glad for you to make such corrections as you wish; in other words, as we say in the House, to revise and extend your remarks.

Mr. MACKAY. Mr. Chairman, we will not extend, because we are certainly familiar with the voluminous testimony that you have to cope with. Our statement will be almost precisely as we have drawn it up here, only we will finalize it and make it a little more readable.

(Mr. MacKay's prepared statement follows:)

My name is John W. MacKay and I am privileged to serve as president of the National Postal Union, located at 509 14th Street NW., Washington, D.C. We represent approximately 40,000 postal employees situated in over 350 local unions located in 46 States, the island of Puerto Rico, and the District of Columbia. In the District, incidentally, we now have the largest single local union of postal workers, with nearly 1,200 members affiliated.

I am accompanied here by Mr. David Silvergleid, our national secretary-treasurer, and Mr. Walter O. Noreen, our executive vice president. Mr. Silvergleid is a veteran postal employee with over 30 years of service at Brooklyn, N.Y. Mr. Noreen has been an employee of the post office at St. Paul for 19 years and was recently elected to a full-time position at our national headquarters. My permanent residence is in Los Angeles, Calif., where I have been associated with the postal service over 25 years, with the exception of two leaves of absence due to military service with the U.S. Marines during World War II and Korea.

We are grateful, Mr. Chairman, for this opportunity to testify before your committee. This constitutes our third appearance here and we appreciate this significant privilege.

We request your indulgence momentarily to briefly recount our continued progress subsequent to our last meeting here with you on March 13, 1961. Since that date, we have added an additional 8,000 new members and the number of our affiliated locals has increased. Our health plan enrollment has recently grown from 17,500 to 25,000 members, representing approximately 75,000 dependents. Our health plan contract was renegotiated with the U.S. Civil Service Commission shortly prior to the reenrollment period October 1–16, 1961. During the previous year and a half of our health plan operation, we paid claims in excess of $2 million and have been able to acquire reserves totaling close to $1 million to offset future contractual obligations.

In our testimony today we will refer to your hearings in 1961, as well as the concept of postal operations by the New Frontier administration. We are particularly concerned with the Bureau of Operations, the Bureau of Personnel, the Inspection Service, the Bureau of Facilities, and regional administration.

POST OFFICE DEPARTMENT

In several significant aspects there has come about an amazing transformation in the conduct of postal affairs during the past year. Postmaster General J. Edward Day emphasized, before your committee in February 1961, his desire "to elevate the postal service" to a point where it would merit and enjoy the full confidence and respect of the people it serves. We believe a good forward step has been made in this direction, due primarily to a more enlightened and considerate attitude for the individual employee and the comprehensive knowledge he has gained through years of devoted service. More and more there is consultation with the employee and/or his union representative, to at least ascertain if their ideas might contribute to an improved postal operation. The Postmaster General emphasized this approach in his 1961 statement and labeled it "motivation." He envisioned greater respect and appreciation for the "dignity of the postal worker" in order to more appropriately utilize the "amazing manpower resources of the Department."

During the first year of the Day administration, we have found ourselves in basic disagreement with departmental policy on several occasions but we have experienced a degree of consultation without precedent, to our knowledge, in the annals of postal employee-management relations. During this year, there has hardly been a week go by we have not been invited by Department officials to submit our opinions on various procedures, regulations, or methods incorporated in the Postal Manual. In all these exchanges of opinion, there has emerged an evident and sincere effort by the Department to at least ascertain and understand the employee viewpoint.

BUREAU OF OPERATIONS

(Public Law 68, guidelines)

In our statement to the committee last year, relating to the Bureau of Operations, we emphasized our concern over guidelines, an integral phase of the work measurement program and Public Law 68; the Postal Field Service Classification Act. We now reiterate every declaration we made at that time on these major issues.

Our last statement also contained the testimony we submitted to the House Post Office and Civil Service Committee in support of the Karth bill to revise Public Law 68 by correcting many of its inequities. This year we have endorsed the Morrison bill, H.R. 9531, to provide long-needed boosts in the field service salary schedule. We will seek approval thereon by both the House and Senate Post Office and Civil Service Committees. In this action, however, we do not abandon the objective we espoused last year to provide time and one-half premium pay for all work performed in excess of 8 hours in 1 day, or 40 hours in 1 week by all postal workers, including substitutes and temporaries.

We believe the retention of the substitute and temporary employee status, throughout the Postal Establishment, is not only a deplorable carryover from the 19th century but a blot on fair labor practices within the Federal service. There is no counterpart to the substitute postal employee in any branch of Government operations. We contend the elimination of this antiquated, cheap labor device is long overdue.

Now, on the subject of "Guidelines," we come to one of the most controversial and misunderstood practices in current-day postal procedure. We believe the

members of this committee will recall our emphatic objections to guidelines as submitted here 1 year ago. Our objections on that occasion were not only conveyed to the members of this committee, for the second year running, but were previously incorporated in a nine-page letter mailed to each Member of the Congress on May 20, 1960. We have copies of that letter available for your inspection today and it is prophetic that several of the observations and predictions we made at that time have now come to pass.

We well recall the oft-repeated promises, assurances, and guarantees that no employee would ever "be hurt by guidelines." We were told that work measurement was a management tool that would prove helpful in gaging productivity and its use as a disciplinary device would never be tolerated. We did not believe the promises made at that time. We now have witnessed how baseless and irresponsible they became.

It is ironic that the postal installation responsible for the introduction of guidelines should also be the scene of the first organized penalization of postal workers for failing to meet the so-called standards of production. During the recent Christmas rush, the postmaster at Brooklyn, N.Y., denied 14 clerical employees the right to perform service on Saturday and Sunday, December 16 and 17, at overtime rates of pay, because they allegedly failed to meet production requirements. We submitted a strong protest to the postmaster and subsequently to the Department over this disciplinary action. First, we objected because the postmaster at Brooklyn had promised, on February 10, 1960, that the guidelines was not a speedup program nor a punitive program. In fact, the postmaster went on to say at that time: "What happens to the counseled employee? Nothing! That is nothing punitive." Secondly, our protest was based on the fact that the Department, approximately 6 or 8 months before the Brooklyn Christmas incident, promised that work standards would be revised in the various postal installations to make the system more acceptable. There was no revision in the Brooklyn post office nor had there been any in most other postal centers at that time though we understand effort is now being made to follow through on this promise.

Due to the denial of Christmas overtime, 14 distributors in the Brooklyn post office lost approximately $60 apiece and were deprived of this widely sought emolument during the holiday season when it is needed most. In a sense, the Brooklyn incident would be humorous, were it not so tragic for those involved, for in the Brooklyn office the same type of guidelines operation prevails that we endeavored to describe to this committee one year ago when we submitted a description of this ridiculous procedure, as prepared by our local affiliates in Long Beach and Los Angeles, Calif. We said then and we say it again today, the guidelines-work measurement system is a farce, a fraud, and a waste of time, energy, and postal moneys. The production figures are unreliable and the total personnel assigned to the administration of the program alone is such as to entail an unnecessary expense, according to the Department's own figures, in excess of $4 million annually.

An even more absurd incident occurred during the Christmas holidays when the postmaster at Duluth, Minn., issued an order that all mail distributors failing to meet the production average, established in that office as 121 percent minimum would be subject to corrective action in accordance with counseling and disciplinary provisions of the Postal Manual, part 715.52. In other words, 100 percent was not good enough in Duluth. Clerical personnel were harassed and badgered into boosting productivity to 121 percent or more to avoid further consultation and disciplinary treatment. Fortunately, our protest to the regional director at Minneapolis aided in halting this nonsensical approach before any damage was done.

We know you have a volume of testimony relating to the guidelines controversy. However, we believe you might be interested in a significant statement we recently received from an affiliate in this union; an experienced, well-qualified clerical distributor with over 20 years' service in the Los Angeles post office. This member's letter reads as follows:

JANUARY 10, 1962.

Mr. JOHN W. MCKAY,
President, National Postal Union,
Washington, D.C.

DEAR MR. PRESIDENT: In the event that you are intending to make an appearance before the Appropriations or Ways and Means Committee of the House or the Senate I think you should mention this fact in connection with the drive to raise postal rates.

I understand that one of the rates which may be raised is the airmail rate for letters. To me this is rank injustice and most unfair to that part of the public who uses airmail regularly.

Much mail is sent by air when prepaid at only the first-class rate—it is done regularly and all the time and has been handled this way for the past 2 or 3 years. Up and down the coast, across the continent, etc.

About a week before Christmas, the 17th or 18th of December, one of my clerk coworkers and I were working the city mail. I had a tray of mail from Dallas. It was not airmail, first class, and no effort had been made to take out the Christmas cards prepaid with 3-cent stamps nor the postal cards, and had been postmarked in Dallas at 6 p.m. I was working it between 10 p.m. and midnight. She had a tray identical to mine, from Honolulu, which had been postmarked at 4 p.m. the day before. It was obvious that both trays had come in by jet. Now when this is so, and presuming the Department can afford to send ordinary mail by air, why should the airmail rates be raised? Isn't it unfair? I know I resent it.

And the crowning insult to all this is that it is a rare thing to work a tray of incoming mail from one of the large eastern cities which has come out on the train, and not find some among it which has been prepaid for air, and has never received the service for which the sender paid.

This is a direct result of guidelines. In all the big offices the poor harried clerks are so intent on keeping up their production that they cannot do their work accurately. I suppose what we send out is as bad. Wouldn't a more sensible answer be the abolition of guidelines and give the mail the service which the sender has requested and paid for?

With kindest regards.

Sincerely,

(Name may be submitted on request.)

Before we leave this subject, we cannot help recall the many questions this committee submitted to the Department officials at your hearing last year. Too, we are also cognizant of the findings and recommendations of the Bureau of the Budget, as submitted to the committee January 25, 1961. In the face of all this imposing documentation, we are oft reminded of a visit we recently made to a medium-sized, WMS postal installation in Virginia. On that occasion, during a talk with one of the officials there, we happened to mention guidelines and WMS. The official was in thorough agreement with our views on the worthlessness of the program and stated that when the going got rough and the mail started to pile up, he ordered the employees to "forget about the system"—"never mind filling out the forms"—just work up the mail to keep the next dispatch on time."

Finally, on the guidelines—WMS issue, we believe it appropriate to insert for the record some figures recently brought to our attention comparing manpower hours used at Nashville, Tenn., during the week guidelines are in effect as compared to the week they are not used:

Volume of mail versus man-hours in work section

Week of WMS operation			Week of routine operation		
Date	Volume	Hours	Date	Volume	Hours
Jan. 15, 1962	120,935	620	Jan. 22, 1962	112,826	620
Jan. 16, 1962	111,699	648	Jan. 23, 1962	108,481	607
Jan. 17, 1962	109,984	710	Jan. 24, 1962	103,620	599
Jan. 18, 1962	100,054	672	Jan. 25, 1962	103,401	650
Jan. 19, 1962	102,100	736	Jan. 26, 1962	108,831	659
Total	546,832	3,386		537,159	3,135

Volume of mail versus man-hours in Nashville office

Week of WMS operation			Week of routine operation		
Date	Volume	Hours	Date	Volume	Hours
Jan. 13, 1962	709,800	804.4	Jan. 20, 1962	710,200	783.4
Jan. 14, 1962	346,300	485.9	Jan. 21, 1962	372,100	479.4
Jan. 15, 1962	1,223,300	1,279.8	Jan. 22, 1962	1,032,900	1,252.4
Jan. 16, 1962	1,139,200	1,293.6	Jan. 23, 1962	1,164,100	1,348.3
Jan. 17, 1962	1,197,400	1,332.8	Jan. 24, 1962	1,169,700	1,307.6
Jan. 18, 1962	1,163,200	1,341.2	Jan. 25, 1962	1,166,700	1,417.2
Jan. 19, 1962	1,304,000	1,401.9	Jan. 26, 1962	1,166,100	1,358.0
Total	7,083,200	7,939.6		6,781,800	7,946.3

THE BUREAU OF PERSONNEL

(Grievance appeals, consultation)

We have commented previously on the extensive degree of consultation now being accorded by the new administration to representatives of postal unions. Focal point for this activity is centered in the Bureau of Personnel under the very capable direction of Assistant Postmaster General Richard J. Murphy. One year ago, we reported on the sagging labor-management relations in postal affairs due to an obvious reluctance to meet with and ascertain employee sentiment. We believe we would be inconsiderate should we fail to give credit where credit is due on the correction of a basic fault.

Frankly, we have been encouraged and enthused over the remarkable conversion of policy advocated by the Bureau of Personnel during the past year. We certainly have not sold the Post Office Department on some of our ideas but we have been given every opportunity to present our opinions and beliefs on many of the pressing and controversial aspects of postal employment.

While good progress has been made to date there is still room for improvement in the time required to process personnel appeals; particularly as they relate to disciplinary action. We well recognize the advent of the new administration created a considerable backlog of appeals but there has been a frustrating delay in adjudicating such matters. In conversations with the Postmaster General, the Deputy Postmaster General, and the Assistant Postmaster General for Personnel, we were assured more expeditious action would be given these matters. However, despite these assurances, it is not uncommon to find a disciplinary appeal requiring anywhere from 3 to 8 months for an ultimate decision.

The creation of a specialist in employee-management relations, to handle personnel issues in each region, has recently been put into operation and we are watching the progress of this innovation with considerable interest. It is still too early to assess the overall benefits to be gained by this regional approach to improved employee-management rapport. However, there is good reason to believe the unconcerned, harsh, arrogant, and often disinterested attitudes, evident by some postal regional directors, during the past several years, may be replaced by a more considerate understanding.

THE INSPECTION SERVICE

As you well know, there are now approximately 1,000 post office inspectors whose cost to the Department approximates $16½ million annually. One year ago, we urged elimination of the inspection service from the management field. There may have been some improvement in this situation but we reemphasize our contention that the inspection division should be primarily assigned to the protection of the mails and related duties essential to safeguarding postal facilities and properties.

We note the inspection service is frequently involved in management functions we believe should be the exclusive jurisdiction of the postmaster and appropriate administrative officials. Very recently, one of our members, assigned to duty in a North Carolina postal installation, received a letter of charges from an inspector. This employee was requested to show cause why his employment should not be terminated. We requested a hearing for the accused, which was ultimately provided, after the inspector, acting through the regional director, had already made a decision to remove the appellant. We are happy to report

the hearing committee of three, consisting of two postal supervisors and a clerk, found the charges without any foundation in fact and recommended they all be dismissed. We have just been advised the regional director, concurring in the decision of the hearing committee, dismissed the charges and retained the employee in his previous position.

Surely there is something amiss in a situation of this type, when so much time and effort is devoted by the inspection service to a phase of operations which should be the province of the postmaster and other administrative personnel.

FACILITIES

(San Juan, P.R., Garden City, N.Y., Alexandria, Va., and Elizabeth, N.J.—Air conditioning)

We continue to be amazed at the thorough study and evaluation by members of this committee as it relates to the Bureau of Facilities and the Division of Research and Engineering. We know you are conversant with the Department's complex plant and equipment program that provides the buildings and facilities in and with which our members must work.

Last year we cited three municipalities we believed warranted new postal installations, i.e., San Juan, P.R., Garden City, Long Island, N.Y., and Alexandria, Va. We would like to repeat the recommendations we made then concerning these centers with the hope new buildings may soon be on the planning boards for each of these localities.

We would like to request the committee give serious consideration to expanding and expediting the Department's air-conditioning program. In those areas of the country, ordinarily afflicted with depressing hot and humid weather conditions during the months of June through September, the need for relief has become acute.

Last year, the Department reported on an air-conditioning program that encompassed something over 200 of the "smaller buildings." Work was also started in some of the larger eastern offices, including Manhattan and Philadelphia. However, no immediate plans have been made public to provide postal workers in many other big cities, in the same area, any form of relief. For instance, there were times during the summer of 1961 when the temperature on the workfloors of the Brooklyn, N.Y., post office registered over 105°. The same situation applied to Manhattan-Bronx, Newark, N.J., Jersey City, N.J., and the Philadelphia post office. In the Brooklyn office, due to excessive heat, chunks of plaster frequently dropped from the workfloor ceilings, constituting an unnecessary hazard to the employees. We suggest an emergency condition now exists that requires a speedy solution to this vexing problem.

Very recently, we had an opportunity to visit the main post office in Elizabeth, N.J., which is sadly in need of replacement. Conditions in the Elizabeth office almost defy description, for postal workers there are now compelled to perform duties in basement areas originally intended for storage purposes. There is no ventilation in the basement level of this building except two small windows in the rear of a huge cement floor area extending approximately 30,000 square feet. Another small rear window, used as the opening for a coal shute, is located immediately adjacent to the parcel post distribution center. When the coal is delivered the dust permeates the atmosphere in thick clouds, thereby creating a hazardous and unhealthy environment for those assigned to this lower level section. We are preparing a picture portrayal of this deplorable arrangement and will make vigorous appeals to the Department for the construction of a new plant in this locality.

The building that houses the main post office at Elizabeth, originally constructed in the 1920's, is in a pitifully rundown condition with plaster falling off the walls and ceiling. Skylights on the roof, designed for ventilation, are now sealed off but the fittings are so inferior that rain and snow leak through and cascade over hot steam pipes hung just below the ceiling thereby creating a serious menace to the safety of all personnel. We urgently recommend a new postal installation in this growing metropolis as soon as possible.

KANSAS STATE UNIVERSITY LIBRARY MAY 5 1962

CUSTODIAL EMPLOYEES

(Christmas overtime pay, uniform allowance)

In our testimony before this committee last year we stressed the plight of custodial and maintenance employees, particularly with respect to their overtime employment during the Christmas period. We emphasized that these employees were not accorded an opportunity to perform overtime service and the blame for this situation was frequently placed at the door of this committee. Invariably, postal officials would respond to requests for an overtime allotment for custodial employees by stating that no moneys had been appropriated for such purpose.

This past Christmas employees in the custodial and maintenance service received much more consideration with respect to overtime service than in the past. We wish to express our appreciation to the members of this committee for the part they must have played in effecting this result. However, while there was some improvement, the results were not entirely satisfactory on a comparative basis. We urge the committee give this matter further attention and consideration with a view to placing custodial and maintenance employees on as equitable a basis as possible.

Custodial, maintenance and even motor vehicle employees in some post offices, for example Portland, Oreg., are required to wear uniforms and/or special equipment such as gloves or heavy jackets and aprons, at their own expense, in the performance of their official duties. As you know, a uniform allowance has been provided by law for some of the Department's employees, particularly letter carriers.

We recommend all employees be treated similarly with regard to a uniform allowance, and that the various categories of personnel listed above be authorized a uniform allowance where and whenever feasible. These employees would be very grateful for your consideration of this request.

As we conclude our statement before your committee, we would like to express our appreciation to you, Mr. Chairman, and to the other members, for enabling us to testify today. We would like to again emphasize our abiding interest in the entire subject matter of your hearings.

We continue to receive many inquiries from our affiliates on the scope and degree of your deliberations. We are grateful for this opportunity to convey to you their best wishes for your continued success in this major task of budgeting and appropriating the essential funds for the operation of the postal service of this great Nation. We are proud to be associated with you in this governmental enterprise.

Mr. MACKAY. Mr. Chairman and Mr. Alexander, again we express our thanks to you and to the other members of the committee. We certainly appreciate having this chance to come in and see you.

Mr. GARY. Thank you.

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION

At this point in the record we shall insert a letter, dated January 17, 1962, from Mr. Stanford Smith, general manager of the American Newspaper Publishers Association, addressed to me as chairman of the subcommittee, together with my reply to Mr. Smith on January 22.

(The letters referred to follow:)

AMERICAN NEWSPAPER PUBLISHERS ASSOCIATION,
New York, N.Y., January 17, 1962.

Hon. J. VAUGHAN GARY,
Chairman, House Appropriations Subcommittee,
House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Rather than consume the time of your subcommittee through the appearance of a witness, we request that you place this letter in the record of hearings on Treasury-Post Office Department appropriations for the fiscal year beginning July 1, 1962.

Our purpose is to discuss briefly the problems of appropriations for public service activities of the Post Office Department as they relate to proper determination of postal rates, including second-class rates affecting daily newspapers.

The American Newspaper Publishers Association is a trade association of 850 daily newspapers with more than 90 percent of the total U.S. daily newspaper circulation. As such it is interested in anything relating to the daily newspaper business and that includes second-class mail rates.

The longstanding policy of our association is that daily newspapers want to pay 100 percent of the costs of transporting and delivering copies of their daily newspapers in second-class mail, but not costs that belong elsewhere.

We believe that the Congress acted wisely in enacting the Postal Policy Act, of 1958, itemizing certain public service costs of the Post Office Department which were to be accounted for separately and not charged against the users of the various classes of mail. After that accounting, all users of the mails are required to pay all their costs under the Postal Policy Act.

Before enactment of the Postal Policy Act, two different citizens advisory councils had reported to the Senate Post Office Committee after extensive study of public service costs within the Post Office Department.

The second of those two citizens advisory councils itemized a total of $394.4 million in public welfare costs of the Post Office Department and, in addition, enumerated many other items of hidden costs of postal operation without attempting to place a dollar value on these items because accurate information was not available.

Nevertheless, such costs do exist as a part of the operation of the Post Office Department but not a part of the costs of handling particular classes of mail. Unfortunately, the Postal Policy Act of 1958 has not produced the desired results because it has never been implemented.

The ANPA agrees with the findings of the two citizens advisory councils and with the consistent position on post office public service costs taken by Senator Olin D. Johnston of South Carolina, chairman of the Senate Post Office Committee. As late as January 13 of this year, Senator Johnston reiterated his belief that the Postal Policy Act supports a public service figure of between $300 million and $350 million.

The daily newspapers want no subsidy from the Government in any form, and they do not believe they get any. We believe the controversies surrounding the establishment of postal rates on various classes of mail have been unfortunate. We further believe that problems of fair determination of postal rates, including second-class rates affecting daily newspapers, cannot be solved until a realistic accounting of public service costs of the Post Office Department is achieved.

We urge your committee to make such further studies as you believe are necessary to reach a determination of the proper accounting for public service activities of the Post Office Department as part of the appropriations procedures of the Congress, as provided by the Postal Policy Act of 1958.

With high esteem.

Sincerely yours,

STANFORD SMITH, *General Manager.*

HOUSE OF REPRESENTATIVES,
Washington, D.C., January 22, 1962.

Mr. STANFORD SMITH,
General Manager, American Newspaper Publishers Association,
New York, N.Y.

DEAR MR. SMITH: This is to acknowledge receipt of your letter of January 17 and to let you know that the position of the American Newspaper Publishers Association with regard to postal rates will be made a part of the record of the Treasury-Post Office Appropriations Subcommittee of which I am chairman.

I am today directing the subcommittee clerk to include your letter in the hearings and I can assure you that it is helpful to know the views of your association.

Sincerely yours,

J. VAUGHAN GARY.

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