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DISSOLUTION OF THE POSTAL SAVINGS SYSTEM

GOVERNMENT
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HEARING

BEFORE THE

COMMITTEE ON POSTAL OPERATIONS

OF THE

COMMITTEE ON

OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 8030 and related bills

BILLS TO PROVIDE FOR THE DISCONTINUANCE OF THE
POSTAL SAVINGS SYSTEM

MAY 12, 1965

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DISSOLUTION OF THE POSTAL SAVINGS SYSTEM

WEDNESDAY, MAY 12, 1965

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL OPERATIONS OF THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 215 Cannon House Office Building, Hon. Thaddeus J. Dulski (chairman of the subcommittee) presiding.

Mr. DULSKI. The meeting will come to order.

The Subcommittee on Postal Operations is holding hearings today on the bills dealing with the discontinuance and liquidation of the Postal Savings System.

I sponsored H.R. 8030 on the basis of an official recommendation of the Post Office Department. Mr. Derwinski sponsored H.R. 4533, a similar bill. Also, I have sponsored H.R. 2032 on the basis of an official recommendation by the General Accounting Office to provide for the disposition of unclaimed postal savings deposits. The problem involved in H.R. 2032 is covered by the official recommendation and included in H.R. 8030.

For the past several Congresses there has been legislation pending before our committee proposing to liquidate and discontinue the Postal Savings System. The Comptroller General of the United States, in his reports to the Congress on the survey and audit of the Postal Savings System, has consistently recommended, since 1952, that the Congress give consideration to the question of whether or not there is a present need for the Postal Savings System.

In May 1955, the Commission on Organization of the Executive Branch of the Government, the Second Hoover Commission, in its report to the Congress recommended that, after some reasonable period, no further postal savings deposits should be received and that depositors should be given an opportunity to place their savings in U.S. savings bonds or in amply secured, guaranteed banks or savings and loan associations.

There are three major objections that have been advanced to the liquidation and dissolution of the Postal Savings System. The first, has been the adverse effect on postal employees involved in the operation of the Postal Savings System. The second is the concern for the depositors who continue to use the Postal Savings System even though the interest received on their deposits is considerably lower than the interest they could receive on their money from other sources. And, third, the adverse effect on Treasury financing by the liquidation over such a short period of time of U.S. Treasury bonds having a par value as of June 30, 1964, of approximately \$432 million.

The Postal Savings System was established by the act of June 25, 1910. This act created a Board of Trustees to control, supervise, and

administer the Postal Savings System. The Board now consists of the Postmaster General and the Secretary of the Treasury. Representatives of the Board are here today, and I am hopeful that these witnesses will be able to furnish sufficient information for the subcommittee to reevaluate and reconsider the major objections which have been advanced in the past.

I would like to have placed in the record the official communication from the Post Office Department recommending this legislation and the letter of the Postmaster General to the Speaker of the House of Representatives dated January 4, 1965, transmitting the Post Office Department Report of Operations of the Postal Savings System for the Fiscal Year Ending June 30, 1964.

OFFICE OF THE POSTMASTER GENERAL,
Washington, D.C., May 6, 1965.

HON. JOHN W. McCORMACK,
Speaker of the House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: There is enclosed for your consideration a draft of a bill to provide for the discontinuance of the Postal Savings System, and for other purposes.

This proposal is part of the legislative program of the Post Office Department for the 89th Congress.

The Bureau of the Budget has advised that, from the standpoint of the administration's program, there is no objection to the submission of this legislative proposal to the Congress.

Sincerely yours,

JOHN A. GRONOUSKI,
Postmaster General.

GENERAL STATEMENT OF PURPOSE

The purpose of this proposed legislation is to terminate the Postal Savings System.

The Comptroller General of the United States, in reports to Congress on the survey and audit of the Postal Savings System has recommended that the Congress give consideration to the question of whether, under present conditions, there is a need for the System, stating that the main purpose and justification of the System are no longer applicable. (Report on the Survey of the Postal Savings System, H. Doc. 393, 82d Cong., 2d sess., and Reports on the Audit of the Postal Savings System for Fiscal Years 1952, 1953, and 1954.)

The Commission on Organization of the Executive Branch of the Government, in its May 1955 report to Congress on business enterprises in Government, recommended that, after some reasonable period, no further postal savings deposits be received and that depositors be given an opportunity, during a period not to exceed 5 years, to place their savings in U.S. savings bonds or other amply secured, guaranteed bank and savings and loan deposits.

The original purpose of the Postal Savings Act of 1910 was to provide depositories for depositing savings at interest, with security of the Government for repayment thereof. Its main purpose has been superseded by availability of U.S. savings bonds and the ample security of guaranteed bank and savings and loan deposits up to \$10,000.

It is evident that the public is finding adequate security for its savings in other than postal savings. This conclusion is based on the fact that the amount on deposit in the Postal Savings System is only about 12 percent of what it was in 1947. It has dropped from \$3,393 million in 1947 to \$416 million in 1964.

It is believed that the discontinuance of the Postal Savings System will not work a hardship on those who now have deposits or discourage thrift, because approximately 98 percent of the deposits are made at first- and second-class post offices where banks or savings institutions are located or are readily available by mail. For outlying communities, banking facilities are usually available at the point where the other business of the community is transacted.

LETTER FROM THE POSTMASTER GENERAL TRANSMITTING A REPORT ON THE OPERATIONS OF THE POSTAL SAVINGS SYSTEM FOR FISCAL YEAR ENDED JUNE 30, 1964, PURSUANT TO SECTION 1 OF THE ACT APPROVED JUNE 25, 1910

OFFICE OF THE POSTMASTER GENERAL,
Washington, D.C., January 4, 1965.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: On behalf of the Board of Trustees, I have the honor to submit herewith, as required by section 1 of the act approved June 25, 1910, the report of operations of the Postal Savings System for the fiscal year ended June 30, 1964.

At the close of the year there were 3,466 depositories in operation, including 473 branches and stations. This compares with 4,250 on June 30, 1963.

The principal to the credit of postal savings depositors at the close of the year, represented by certificates of deposit outstanding, was \$414,533,479, a decrease of \$68,970,052, or 14.3 percent, since June 30, 1963.

As of June 19, 1964, the average amount per depositor was \$387, a decrease of \$29 or 7 percent. The number of depositors decreased from 1,164,634 to 1,076,225. This represents a reduction of 88,409, or 7.6 percent, in the number of accounts.

Postal savings funds amounting to \$17,372,425 were on deposit in interest-bearing time accounts with 380 banks at the close of the fiscal year. The interest rate on these funds is 3½ percent per annum.

During the year the Board of Trustees decreased its holdings of U.S. securities by \$70,787,000 par value and book value. The aggregate investment as of June 30, 1964, in securities of the U.S. Government was \$432,079,000 par value, and \$428,440,807 book value after amortization charges.

During the year 14,868 postal savings accounts aggregating \$299,037, which had been inactive for 20 years, were classified as unclaimed. As of June 30, 1964, the Board of Trustees held 155,718 such unclaimed accounts aggregating \$2,274,105.

The System earned a net income of \$54,444 for fiscal year 1964 after charges of \$3,103,545 for Post Office Department expenses computed on the basis of fully allocated accrued costs. This compares with \$487,106 net income for fiscal year 1963 after expense charges of \$3,314,352.

Financial statements and statistical tables, giving detailed information as to the operation of the System, are appended.

Sincerely yours,

JOHN A. GRONOUSKI,
Postmaster General,
Chairman, Board of Trustees.

Mr. DULSKI. I wish to have placed in the record a statement by the Honorable Edward J. Derwinski, sponsor of H.R. 4533.

STATEMENT OF HON. EDWARD J. DERWINSKI, CONGRESSMAN FROM THE STATE OF ILLIONIS

Mr. Chairman and members of the committee, in recent years considerable discussion has centered around the practicality of discontinuing the Postal Savings System.

I believe it is quite apparent to all interested parties that in the interest of economy in governmental operations, the Postal Savings System should be liquidated. H.R. 4533, which I introduced this session, is identical to other present and previous proposals to achieve this end.

I have introduced the bill because I think we have in the Postal Savings System a flagrant example of an agency which has served its purpose well if modestly, and now continues to do less and less every year in a world which is no longer very much like the one in which and for which it was created. At a time when the functions of the Federal Government are being scrutinized very widely as to possible unnecessary functions or overlapping functions, it seems to me particularly important that we move promptly to terminate the Government-operated savings system based on the post office window.

The expansion of commercial banks across the country, the phenomenal growth of savings and loan associations across the country, the growing popularity of credit unions across the country, and the availability of the U.S. Savings Bonds to small investors has made it apparent that the persons using the Postal Savings System can more practically and profitably be served by investing their funds in one of these other sources.

There is nothing which the Postal Savings System offers or once offered which is not as effectively done by the savings institutions protected by Federal insurance

or by the Treasury obligations known as savings bonds. For the purpose of small amounts, of course, the savings bond program incorporates a system of savings stamps, which are more convenient than postal savings certificates and are available in smaller denominations.

No one denies the fact that all sections of the country now have private financial institutions ready and willing to serve the savings needs of the general public.

In keeping with the principle of American free enterprise, with its willingness to serve the public, free from competition with Government-operated facilities, I urge you to favorably consider my bill which would terminate the Postal Savings System.

Mr. DULSKI. We are very happy to have with us this morning Assistant Postmaster General Ralph W. Nicholson. He will introduce other representatives accompanying him.

Mr. NICHOLSON. Thank you, Mr. Chairman. On my right is Mr. Louis J. Doyle, General Counsel, accompanied by Mr. Adam G. Wenchel, Associate General Counsel. On my left is Mr. J. Harold Marks, finance officer, Bureau of Finance. I have a prepared statement, Mr. Chairman, which I would be glad to read, if that is your pleasure.

Mr. DULSKI. Yes. Then we can ask questions.

STATEMENT OF ASSISTANT POSTMASTER GENERAL RALPH W. NICHOLSON

Mr. NICHOLSON. Mr. Chairman and members of the subcommittee. The Postal Savings System was placed in operation in January 1911 pursuant to an act of Congress approved June 25, 1910. Its purpose was to get money out of hiding, to attract savings of a large number of immigrants who were accustomed to saving at post offices in their native countries and to provide safe depositories for people who had lost confidence in private banks.

The interest return was set at 2 percent per annum from the beginning and the maximum size of account was set at \$2,500 in 1918. Neither of these basic conditions has been changed since. The method of paying the 2-percent interest was changed in 1954 to provide for compounding annually.

Usage of the Postal Savings System reached a peak in 1947 when over 4 million depositors had accounts totaling \$3.4 billion. As of the end of fiscal year 1964, the most recent period covered by the Annual Report of the Postal Savings System, the number of depositors had declined to just over 1 million and the amount on deposit to \$416 million. The most recent balance sheet of the System shows that the decline is continuing, the amount on deposit having dropped by \$60 million to a total of only \$356 million.

The Department believes that the Postal Savings System has served a vital purpose and done it exceedingly well. However, the need for a Postal Savings System now has disappeared as the result of dramatic changes in our economy and in the growth of banking facilities provided by private enterprise. The System is now outmoded, and we believe that its orderly termination should be planned.

President Lyndon Johnson has urged all departments and agencies to examine their activities for the purpose of eliminating unnecessary programs so as to reduce the costs of Government. As the President points out, by avoiding unnecessary expense we can afford new programs required by our growing and changing needs. We believe that

termination of the Postal Savings System is consistent with the President's purpose.

As evidence of the fact that the Postal Savings System has outlived its usefulness, one has only to look at the trend in the funds on deposit and in the number of depositors using the System.

As shown by chart 1, the funds on deposit grew slowly until the depression in the early thirties. By 1933 total deposits had reached \$1.1 billion, and in 1947 reached a peak of \$3.4 billion. During World War II deposits in postal savings increased because banks were paying less than the 2-percent interest rate and people were earning more money without being able to spend it. Also people were living in places other than their permanent homes and post offices provided a convenient place for savings.

After 1947 deposits began declining when the original distinguishing advantages of the System were matched or improved upon. Accounts in commercial banks and savings and loan institutions were secured up to \$10,000 by the Federal Deposit Insurance Corporation and by the Federal Savings and Loan Insurance Corporation, respectively. One of the original advantages of a postal savings account was that the account was backed by the credit of the Federal Government. However the maximum allowable postal savings deposit has been only \$2,500 since 1918. The offering of savings bonds in convenient denominations similarly provides Government security and higher interest rates than available from the Postal Savings System.

In recent years the hours of commercial banking services have been extended in order to be more convenient for depositors, thus eliminating an advantage that postal savings once had. Still further, the very rapid growth of bank-by-mail services offered by commercial banks and savings and loan institutions has brought banks as near to their customers as the nearest mail box.

Because of these changes, funds on deposit in the System have declined from \$3.4 billion in 1947 to \$356 million as of April 23, 1965. This decline is continuing at a rate of about \$5 million a month.

So far as the number of depositors is concerned, as shown in chart 2, the peak was reached with 4,196,000 depositors in 1947, with a steady decline since then. The most recent report, June of 1964, shows 1,076,000 depositors using the System.

Of the approximately 1 million depositors at year-end 1964, 920,000 held accounts classed as active and nearly 156,000 had accounts which have been inactive for 20 years or more. We believe the number of inactive accounts will increase sharply in the years immediately ahead.

Perhaps contrary to general belief, most usage of the System occurs in cities and not in small towns or rural areas. In 1964 first-class post offices handled 93 percent of the deposits and 96 percent of the depositors. The smaller second-, third-, and fourth-class post offices combined accounted for only 7 percent of the deposits and less than 4 percent of the depositors. Chart 3 shows usage by class of office.

Whereas in 1964 there were 6,864 second-class post offices, only 769 had postal savings deposits. Whereas there were 12,922 third-class post offices, only 160 had postal savings deposits. And with 9,895 fourth-class post offices only 4 had deposits, and these 4 fourth-class post offices were serving 36 depositors.

In general, the Postal Savings System is used in locations where alternative banking provisions are available. Let me point out again

that private banking institutions provide generally higher rates of interest, that a larger maximum deposit is backed by a Federal guarantee, and that, if the physical facility itself is not conveniently located, banking by mail is readily available.

During the discussion leading up to the formation of the Postal Savings System early in this century, consideration was given to the need for funds in new or isolated communities so that private banking institutions could be formed or strengthened and that postal savings funds could be used for this purpose. In actual practice, however, this concept did not work out as can be seen in chart 4. The earnings requirement on Government funds deposited in commercial banks did not make the funds attractive to banks during most of the life of the Postal Savings System. Except for the early years, almost all of the funds in the System have been invested in Government securities. The most recent annual report of the System shows that out of about \$400 million total assets only \$17.4 million are deposited in commercial banks.

In arriving at our position favoring termination of the Postal Savings System we believe we considered the effect of termination from all possible angles.

If the System is terminated, the employees presently handling deposits, withdrawals, and accounting matters related to the System would, without question, be assigned to other work. Our constantly growing workload requires additional employees each year. At present we are using our available work force for excessively long hours. Approximately the equivalent of 24,000 man-hours of employment is represented by work in excess of 40 hours a week. If we can release employees from postal savings window service, we can assign them to existing work in the post offices. No one will lose his job because of termination of the System.

We appreciate that those individuals who are presently using the Postal Savings System are doing so for reasons meaningful to them. The total number of such people actively using the System is less than 1 million and the number is declining steadily. Although we are reluctant to cause even this small number of people any inconvenience, we do not believe we can justify operation of this far-flung enterprise for the benefit of such a small segment of the public. We of course recognize that present users of the System would be provided the same security backed by the Government and would receive more favorable interest rates on their deposits if they use privately operated banks.

Operation of the Postal Savings System has in the past been beneficial to the Treasury Department. Treasury witnesses will themselves explain their position, but we understand that because of the substantial decline that I have spoken of termination of the System will not be a problem to Treasury.

The Post Office Department itself has benefited from operation of the System over the years. Since 1911, the System has provided the Department with a net profit of \$239.5 million. The System has been profitable in every year except one since 1914. This year, however, we anticipate a slight loss and that loss will continue and the amount will get greater in the years ahead as the decline in deposits continues. An orderly termination of the System now will therefore reduce these inevitable losses.

In summary the Postal Savings System has served a most useful purpose, but has now become outmoded. When Postmaster General Gronouski last February first indicated that he was considering termination of the System, the press and individual letterwriters endorsed his point of view. In all candor I might mention that many of the editorials and letters indicated surprise that a Department of Government would ever voluntarily suggest terminating an activity after that activity had ceased to be necessary, but then they went on to applaud him.

In reality the Postal Savings System is closing itself out as depositors leave the System. Our purpose is simply to provide for an orderly means of termination so as to prevent excessive administrative costs and problems that would otherwise be present. H.R. 8030 does provide for this orderly termination and I respectfully urge its favorable consideration by this committee.

Chart 1

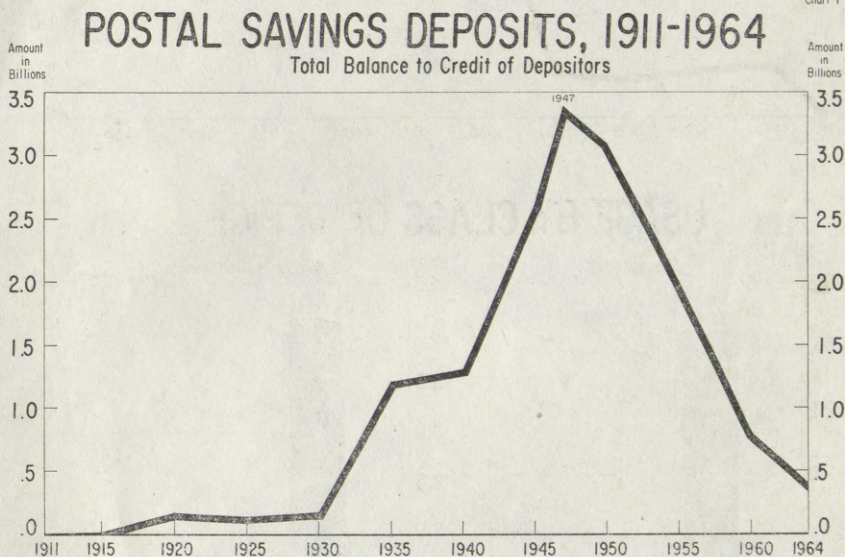


Chart 2

NUMBER OF DEPOSITORS, 1911-1964

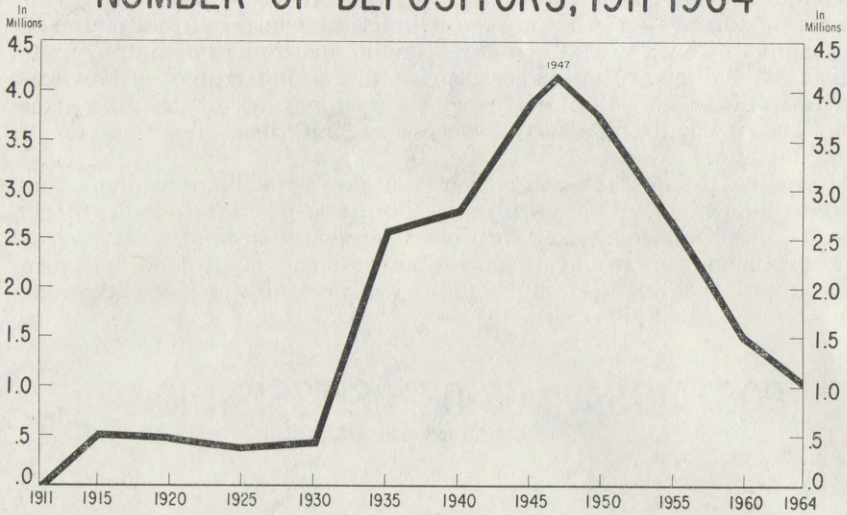


Chart 3

USAGE BY CLASS OF OFFICE

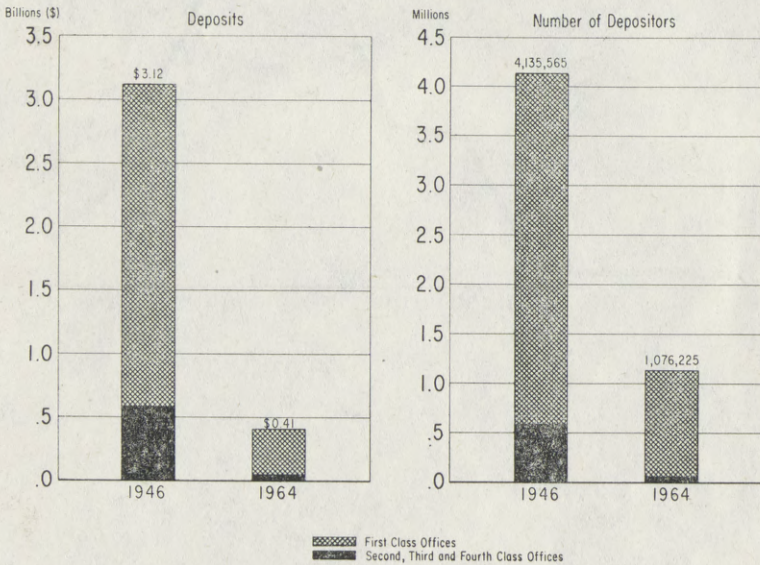
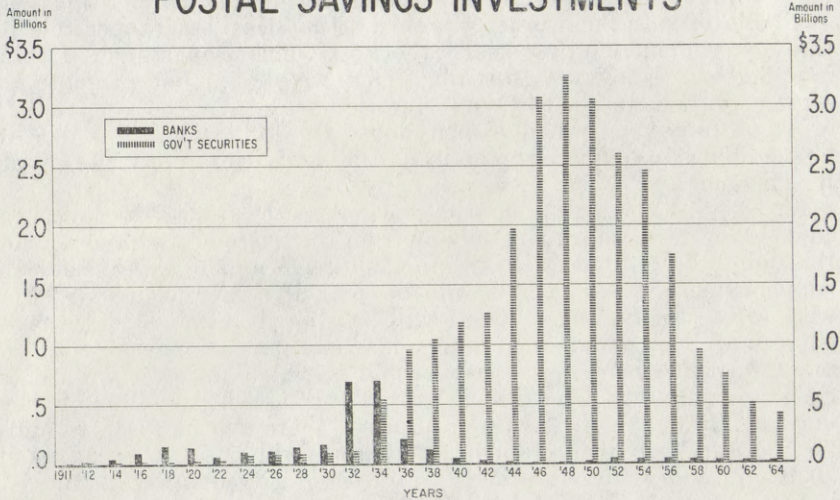


Chart 4

POSTAL SAVINGS INVESTMENTS



Mr. DULSKI. Thank you very much, Mr. Nicholson. In 1964 the net income was only \$54,000.

Mr. NICHOLSON. Yes, sir.

Mr. DULSKI. The Department's expenses were \$3,103,000. Now, I imagine, as you stated in your statement, that there will be increases in costs of operation. The expense for serving 1 million accounts is \$3 million, which is almost unheard of. I don't think a banking concern could exist in this kind of operation; do you? That's a pretty high average for operating 1 million accounts.

Mr. NICHOLSON. Approximately \$3 an account, yes, sir.

Mr. DULSKI. My concern is that the increases in operating cost next year will result in a loss. You have emphasized this very clearly.

Mr. NICHOLSON. That is correct, Mr. Chairman. We anticipate a slight loss for fiscal year 1965.

Mr. DULSKI. How many postal employees are involved solely on postal savings work?

Mr. NICHOLSON. We believe there are about 175 employees whose work mainly is associated with postal savings. There could be as many as 175 people who would be reassigned if the postal savings work were taken out of the Post Office Department; 175 is an extremely small figure in terms of the entire postal service.

Mr. DULSKI. Would the \$3 million go into the general fund?

Mr. NICHOLSON. \$3 million operating expenses includes all types of expenses. We allocate to the System a share of the space, heat, maintenance, and the like. Such items would continue whether or not postal savings were present. We do, of course, anticipate that we will make a significant reduction in our operating expenses in the event we no longer operate a postal savings system.

Mr. DULSKI. Thank you very much. You always make a good witness. I am sure Mr. Johnson has a question.

Mr. JOHNSON. Let's say Congress doesn't go through with this proposal. Have you any idea how Congress could make this activity more glamorous?

Mr. NICHOLSON. We could promote the service. To do so would be to promote a Government banking service in competition with available private facilities. Whether or not this is a proper role for the Government, and especially the Post Office Department, I think is a matter of policy. It is our belief we should not promote the service which is implied by your question.

Mr. JOHNSON. If we don't eliminate it, don't you think we are almost going to be forced to go into other activities in order to justify its existence?

Mr. NICHOLSON. Yes, at the current rate at which depositors themselves are withdrawing money from the System, we have reached the point of continuing the System at Government expense for the convenience of those people who have their own reasons why they wish to use the System. There will be difficult administrative problems, both for the small number of people and also because of the increasing number of inactive accounts which ultimately must be traced down. Mr. Dulski's bill is a fine bill for the handling of these inactive accounts. One way or another, there will be some administrative and technical problems which we will have to face. H.R. 8030 simply provides an orderly way to conserve manpower and costs in permitting the public to withdraw from the System.

Mr. JOHNSON. That's all.

Mr. NICHOLSON. One further point. One basic way that the System could be promoted so that more use could be made of it would be to increase the 2-percent interest rate set by Congress when the System was initiated in 1910 to a higher and more competitive interest rate.

Mr. JOHNSON. If you close it out, under most State laws these unclaimed accounts would be subject to mandatory State laws requiring that you pay the money into the State treasury. For a limited number of years, a person by letter or petition, can petition the State treasury and get the money back. The State makes no effort to try to locate anybody. Of course, there is no reason for them to do so. They want that money for their general fund. What plans would the U.S. Treasury have of trying to locate these missing persons?

Mr. NICHOLSON. Let me make a general statement and then ask Mr. Doyle to comment more specifically. When the System was created, it was for the purpose of putting the credit of the Federal Government behind the System. Also, by very clear implication, the security thus provided was for perpetuity. The obligation of the Federal Government to give security to these funds never terminates. I would like Mr. Doyle to speak more specifically.

Mr. DULSKI. Doesn't the language on page 4 of the bill clarify it?

Mr. DOYLE. On page 4, we do provide that after passage of a certain period of time, these accounts would be turned over to the Secretary of the Treasury and are subject to future claims. Now, what publicity the Treasury Department gives all this, I don't know.

Mr. DULSKI. I can answer part of the question. In our locality, they advertise unclaimed Internal Revenue refunds due in newspapers at least once a year. Mr. Johnson, do you have a question?

Mr. JOHNSON. That's all. Thank you very much.

Mr. NICHOLSON. Thank you very much.

Mr. DULSKI. Our next witness is Mr. A. T. Samuelson, Director of the Civil Accounting and Auditing Division, General Accounting

Office, accompanied by his staff. Mr. Samuelson, we are very happy to have you with us.

Mr. SAMUELSON. Thank you, Mr. Chairman. On my right is Mr. John Moore, attorney, Office of the General Counsel, and on my left is Mr. Charles P. McAuley, supervisory auditor. We have a short statement, Mr. Chairman. Would you prefer that I read it?

Mr. DULSKI. Yes, if it is short.

STATEMENT OF A. T. SAMUELSON, DIRECTOR, CIVIL ACCOUNTING AND AUDITING DIVISION, GENERAL ACCOUNTING OFFICE; ACCOMPANIED BY JOHN MOORE, ATTORNEY, OFFICE OF GENERAL COUNSEL; AND CHARLES P. McAULEY, SUPERVISORY ACCOUNTANT, CIVIL ACCOUNTING AND AUDITING DIVISION

Mr. SAMUELSON. Mr. Chairman and members of the subcommittee, we appreciate the opportunity to appear before you to discuss H.R. 8030, a bill to provide for the discontinuance of the Postal Savings System, and for other purposes and H.R. 2032 to provide for the covering of unclaimed postal savings deposits into the Treasury of the United States, and for other purposes.

The Postal Savings System was established by the act of June 25, 1910 (36 Stat. 814). The history of the System discloses that it was established for two primary purposes (1) to attract savings of small depositors by establishing savings facilities in remote areas where ordinary banking facilities were not available, and (2) to attract the savings of small depositors who lacked confidence in banking institutions.

At the present time, those purposes appear adequately to be served otherwise. Banks and other savings facilities having their deposits insured by the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation are conveniently situated in practically all localities of the United States. Also, United States savings bonds are available for purchase by small investors and bear a higher rate of interest than that payable on postal savings accounts. Thus, there arises the basic question whether the Federal Government should continue to operate this type of program in competition with private banking and savings facilities and with the U.S. savings bond program of the Treasury Department.

For the foregoing reasons, we suggested in a report on the survey of the Postal Savings System transmitted to the Congress by our letter of March 13, 1952, that the Congress give consideration to the question of whether, under those conditions, the Postal Savings System should be continued. Also, similar recommendations have been made in our subsequent reports on our audits of the System.

As shown in the report of operations of the Postal Savings System, 1964 (H. Doc. 41, 89th Cong., 1st sess.) the number of postal savings depositors, the amount on deposit, and the number of depositories has declined steadily since 1947. At the end of fiscal year 1947, the high year for the number of depositors and the amount on deposit, there were 4.1 million depositors, \$3.4 billion on deposit, and over 8,000 post office depositories in operation. At the end of fiscal year 1964 there were just over 1 million depositors, about \$416 million on deposit, and only about 3,400 depositories. The report also shows that

the income of the System (principally interest on Treasury bonds and bank deposits) exceeded operating expenses (interest paid or accrued on postal savings and the expense of operating the System) by about \$25 million in fiscal year 1947 but only by about \$54,000 in fiscal year 1964.

Because H.R. 8030 does not contain a requirement that depositors withdraw their deposits, no time limit is established for complete liquidation of the System, but depositors are persuaded to do so by terminating accrual of interest thereon after a stipulated period. However, we believe that an orderly liquidation could be accomplished under the bill. If proposals for the discontinuance of the Postal Savings System are to receive favorable consideration, we recommend enactment of legislation along the lines contained in this bill.

Concerning H.R. 2032 we recommended in our report to the Congress dated May 15, 1963, on the audit of the Postal Savings System that the Congress give consideration to enacting legislation to provide for the disposition of the increasing amount of unclaimed postal savings deposits.

The Post Office Department classifies an account as unclaimed when it has been inactive for 20 years. As pointed out in our report, many of the inactive accounts have balances of only \$1 and \$2 each, and unless some provision is made for their disposition the Department will have to maintain these accounts indefinitely. At the end of fiscal year 1961 about 109,000 accounts amounting to about \$1,963,000 were classified as unclaimed; at the end of fiscal year 1964 the Department reports there were about 155,000 unclaimed accounts amounting to about \$2,274,000.

H.R. 2032 would provide the authority to transfer these unclaimed deposits to the Treasury of the United States and accomplish the purpose of our recommendation. If H.R. 8030, or similar legislation to discontinue the Postal Savings System, is approved, however, separate legislation for the handling of unclaimed deposits would not be warranted.

This concludes our statement, Mr. Chairman.

Mr. DULSKI. Mr. Samuelson, I think your statement is very informative. Mr. Johnson?

Mr. JOHNSON. I want to ask you some questions about these unclaimed deposits. The bill provides for setting up a trust fund, then goes on to say—quoted from bill—“as provided by section 725p of title 31, United States Code.” What type of situation would occur where expenditures could be made from the trust fund?

Mr. SAMUELSON. I think Mr. John Moore can answer that.

Mr. MOORE. Under the trust fund account, any claim which is received by the General Accounting Office or by the agency at any time in the future may be paid. The funds would remain available indefinitely. All a person has to do is to file a claim to get the money back.

Mr. JOHNSON. Do you mean \$2 million would be set up in a trust fund and go on indefinitely in the future and never be available for use by the Treasury of the United States, but always would be there for someone to claim?

Mr. MOORE. The cash is available to the Treasury. The obligation remains.

Mr. JOHNSON. Would there be any statute of limitations? Could they, 20 years from now, demand their money?

Mr. MOORE. They can. There is no statute of limitations.

Mr. JOHNSON. That's all.

Mr. DULSKI. Thank you very much.

Mr. SAMUELSON. Thank you, Mr. Chairman.

Mr. DULSKI. Our next witness will be Mr. Patrick J. Nilan, legislative representative, United Federation of Postal Clerks, accompanied by Mr. John A. McCart, operations director, Government Employees' Council.

Mr. NILAN. Good morning, Mr. Chairman. I have a prepared statement I would like to read, if that is all right.

Mr. DULSKI. You may proceed.

**STATEMENT OF PATRICK J. NILAN, LEGISLATIVE DIRECTOR,
UNITED FEDERATION OF POSTAL CLERKS, AFL-CIO**

Mr. NILAN. Mr. Chairman and members of the committee; for the record, my name is Patrick J. Nilan and I am national legislative director of the United Federation of Postal Clerks, AFL-CIO, with headquarters at 817 14th Street NW., Washington, D.C.

I am appearing this morning in opposition to the enactment of the bill, H.R. 8030, which proposes to provide for the discontinuance of the Postal Savings System. Similar legislation has been considered by previous sessions of the U.S. Congress, and in each instance has failed of enactment, and it is our earnest hope that the 89th Congress, in its wisdom and considered judgment, will decide that the abolishment of the Postal Savings System is not in the best interest of our citizens or the efficient economical administration of the Post Office Department.

The United Federation of Postal Clerks, as late as August 1964, in convention assembled, unanimously reiterated the opposition of our organization, both as members and as postal clerks, to any legislation aimed at abolishing the Postal Savings System. At that time our organization also proposed that every effort be made to maintain and expand the Postal Savings System to preserve its benefits to the American people as a depository, backed by the full faith and integrity of the U.S. Government, and also as a most economical source of borrowed money to the U.S. Government.

In support of this position, Mr. Chairman and members of the committee, we would like to point out that the Postal Savings System occupies a rather unique position inasmuch as it is one of the few activities of the Post Office Department that has consistently shown an excess of revenues over expenditures, with a net profit accruing to the Post Office Department. The annual reports of the Post Office Department indicate that it is one of the very few special service features which has not involved a consistent financial loss to the Department. On the contrary, with few, if any, exceptions the Postal Savings System has been operated at a profit each year. As recent as June 30, 1964, the Post Office Department reported a net profit of \$54,447 from its operation of the Postal Savings System.

According to the latest information available to our organization—the Postmaster General's Report for the fiscal year 1964—the Postal Savings System had deposits of \$414,543,479, almost half a billion

dollars was still in deposit as of that date in 1,076,225 individual postal savings accounts. We believe that the established fact that more than one million citizens of our great country use this facility as a safe depository for savings that such participation in the Postal Savings System warrants special consideration, and the system should be maintained as a service to the 1,076,225 patrons involved.

The Postal Savings System has always enjoyed the complete confidence of the American people. However, like every other activity it has had its ups and downs. The amount on deposit and the number of depositors have fluctuated from year to year, but we believe that the Postal Savings System has been, and will continue to be a most important savings system service to a comparatively large segment of our citizens. We would like to point out, Mr. Chairman, that present interest rates on Treasury bills, warranties, and loans to the Treasury Department of the U.S. Government, when borrowing from private or Federal Reserve banks, average a fraction over 3 percent to $4\frac{1}{8}$ percent on 30- to 91-day bills as of May 10, 1965. By comparison, interest paid on postal savings accounts is 2 percent by the Government to the postal patron having postal savings accounts. It would appear to us, Mr. Chairman, that the existing Postal Savings System provides a most valuable and profitable source of money to the Government at a most favorable interest rate.

We again suggest, Mr. Chairman and members of the committee, that the U.S. Government, on one hand, is borrowing money from private or Federal Reserve banks and paying a considerably higher interest rate than the Government is presently paying to postal savings depositors, and it would appear, in these days of postal deficits, that it is unusual to eliminate such a profitable operation.

A considerable concentration of postal savings business occurs in our principal cities, particularly those with a large foreign-born population. Many of these people, for one reason or another, simply cannot be persuaded to put their savings in a commercial banking institution, and if, and when, the Postal Savings System is abolished, a considerable amount of money now on deposit will go out of circulation, and will wind up in teakettles, tin cans, and other unsafe receptacles on the premises of present postal savings depositors and certainly could result in loss or theft of these funds by those depositors required to withdraw them from postal savings accounts. Also a substantial number of postal savings accounts are located in post offices in smaller communities where there may be no commercial banking facilities available, and again the Postal Savings System in such instances provides an important and safe depository for the funds of such patrons.

The Postal Savings System provides a necessary service to a considerable number of people who, because of the hours of their employment, are unable to find banks open for business at hours when they make deposits or withdrawals. While there are some commercial banks that could and do provide such extra hours of service, I doubt seriously, if there are enough banks open for business in areas where the largest part of the postal savings business is transacted. I seriously doubt, therefore, that the discontinuance of the Postal Savings System would lead to any appreciable increase, either in the number of depositors or the amounts on deposit in established banking institutions. Mr. Chairman, we are including with this statement an

appendix which will list the States of our country with the number and amount of deposits for the information of the members of this committee, and to acquaint them with the extensive participation in the Postal Savings System as of the Postmaster General's Report dated June 30, 1964. As further examples of the participation in the Postal Savings System, we would like to mention several cities in this great country of ours to demonstrate, specifically, the number of depositors and the amount on deposit in such cities. In Philadelphia, Pa., there are 40,496 depositors with total deposits of \$10,622,543; in Omaha, Nebr., there are 5,202 depositors with \$2,205,165 on deposit; in Des Moines, Iowa, there are 2,626 depositors with \$970,063 on deposit; and in Buffalo, N. Y., there are 1,693 depositors with \$561,955 on deposit.

Mr. Chairman, we mention only a few of the cities as examples of the continuing utilization by our citizens of the Postal Savings System and urge that it not be abolished, in the best interest of the citizens and our country.

Mr. Chairman, we suggest if there is one basic reason why the Postal Savings System has not maintained a stable number of depositors, or even increased in accounts, it is the obvious fact that the Post Office Department has made no effort to encourage new accounts, but has actually discouraged such participation by paying a bare 2-percent return on postal savings accounts and has for many years appeared to be most eager to eliminate this outright profit-making enterprise to the U.S. Government. Regardless Mr. Chairman, we do sincerely believe that this important service to more than 1 million postal savings depositors should be maintained as a service to those of our citizens desiring to use this method of depositing savings.

Mr. Chairman and members of the committee, we submit that enactment of the pending legislation before this committee, H.R. 8030, which proposes to provide for the discontinuance of the Postal Savings System, and for other purposes, would, in our judgment, be a distinct disadvantage to the more than 1 million present depositors, and would also adversely affect the American people as a result of a decrease in postal revenues, without a compensating decrease in cost to the postal service. We believe it is fair to say that in addition to the loss of income, there would be an even further loss due to the necessity for absorbing certain costs that we feel are presently apportioned to the Postal Savings System.

Mr. Chairman, we certainly appreciate the opportunity to appear before you and your committee on this most important subject and sincerely hope that in your deliberations and considered judgment H.R. 8030 will not be recommended for adoption by members of the 89th Congress. We thank you, Mr. Chairman, and if we can be of any further assistance to you and your committee we shall be most happy to cooperate.

(Appendix to statement follows:)

APPENDIX TO STATEMENT BY PATRICK J. NILAN, LEGISLATIVE DIRECTOR OF UNITED FEDERATIONS OF POSTAL CLERKS, AFL-CIO, ON H.R. 8030, TO PROVIDE FOR THE DISCONTINUANCE OF THE POSTAL SAVINGS SYSTEM

Mr. Chairman and members of the committee, we are presenting the following statistical excerpts from the "Report of Operations of the Postal Savings System, 1964" by the Post Office Department to demonstrate the substantial number of

postal savings accounts and amount of postal savings on deposit in each State of the Union. We believe that these figures are indicative of the extensive participation by patrons in the U.S. Postal Savings System and support our recommendation that this System be continued as an important service to our citizens.

State	Number of depositors	Amount of deposits	State	Number of depositors	Amount of deposits
Alabama.....	15,303	\$4,706,983	Montana.....	3,407	2,082,913
Alaska.....	405	209,920	Nebraska.....	8,836	5,031,727
Arizona.....	4,940	1,742,861	Nevada.....	805	272,087
Arkansas.....	9,280	5,521,899	New Hampshire.....	490	293,006
California.....	62,372	24,570,807	New Jersey.....	23,861	9,174,625
Colorado.....	9,498	5,177,008	New Mexico.....	2,129	1,056,003
Connecticut.....	11,537	6,467,032	New York.....	88,649	23,521,110
Delaware.....	555	250,491	North Carolina.....	16,370	9,711,883
District of Columbia.....	34,882	6,199,450	North Dakota.....	2,426	1,991,447
Florida.....	87,539	14,737,136	Ohio.....	35,358	20,389,801
Georgia.....	13,356	5,587,400	Oklahoma.....	12,090	4,328,365
Guam.....	48	22,411	Oregon.....	7,180	4,091,882
Hawaii.....	697	107,621	Pennsylvania.....	69,016	27,530,034
Idaho.....	2,494	966,437	Puerto Rico.....	5,503	2,175,827
Illinois.....	123,770	77,526,442	Rhode Island.....	1,129	503,756
Indiana.....	31,464	20,109,485	South Carolina.....	21,911	10,321,390
Iowa.....	17,851	12,436,452	South Dakota.....	4,281	3,644,659
Kansas.....	10,240	5,391,409	Tennessee.....	6,880	3,499,322
Kentucky.....	10,609	7,009,428	Texas.....	26,818	11,919,723
Louisiana.....	4,157	2,435,791	Utah.....	1,237	353,300
Maine.....	745	368,015	Vermont.....	57	34,111
Maryland.....	2,591	881,201	Virginia.....	6,183	2,418,420
Massachusetts.....	10,903	7,541,444	Virgin Islands.....	1,421	187,260
Michigan.....	43,381	25,120,729	Washington.....	15,737	8,265,138
Minnesota.....	8,257	6,668,384	West Virginia.....	2,797	2,028,200
Mississippi.....	3,208	1,235,468	Wisconsin.....	14,200	12,352,191
Missouri.....	19,873	10,025,802	Wyoming.....	1,165	548,752

Mr. NILAN. We would like to suggest to the committee that, prior to their making a decision on this legislation, they inquire into actual costs charged off to the Postal Savings System. We say these costs are not as valid as reported. We suggest that there are probably great areas for investigation as to exactly how bona fide some of these figures are. Previous witnesses did point out that a good share of these expenses would continue in the future even if the service is eliminated. We certainly are for the best interests of the Government, the postal service, and the patrons involved, but we certainly recognize that if the Postal Savings System is eliminated, it will have an adverse effect on our people.

We constantly hear from representatives of the Post Office Department that the changes they recommend will not adversely affect our employees, and that no employee would lose his job. We do not question their sincerity in this regard, but what about the people working in the Postal Savings System? Some of these people with seniority who have given dependable, loyal service, many in higher levels, will be subject to reduction to lower levels if the service is eliminated. They would be giving up positions they have earned over the years and in which they have provided valuable service to the public. We hope all this will be taken into consideration.

Thank you, Mr. Chairman.

Mr. DULSKI. Thank you very much, Mr. Nilan. You brought up a question that I was very much interested in with regard to employees. You heard previous witnesses from the Post Office Department say that there will be a deficit next year in the operations because of inactivity of the postal savings service. Also you mentioned something that strikes home when you mentioned about the people who

came from foreign countries. I agree with that. Today, with banking facilities all over the country, many banks are open evenings especially in small towns.

If you are familiar with Buffalo, you will find most banks are open from 4 p.m. to 6 p.m. Now, some of the banks in small towns, I understand, are open on Saturday. So, I do not think in the year 1965, the immigrants coming into this country are going to put any great savings in the postal savings because they feel banks are not trustworthy. The main concern here is that the cost of operating the System will be running into large amounts. Do you feel that as the years go on we will need less and less employees because of less deposits?

Mr. NILAN. This may be true in the largest post offices, but it has been our experience in recent years that the postal savings function of a clerk on a window is just an added duty to his present responsibilities, not a tremendous part of his 8-hour workday. This, again, is why I question the costs that are involved in this System. If it is inactive, as the Post Office Department suggests, certainly the cost of \$3 to service each account seems a considerable item of expense.

We feel the cost related to the number of accounts is tremendous and I just pointed out to you the reduction in income from fiscal year 1963 to fiscal year 1964. As I read the figures, the net income for fiscal year 1963 was \$487,000, and dropped down to approximately \$54,000. This actually represents the difference between the expense charges for both years. This seems most unusual. I cannot explain it, but we suggest that the committee explore it. We feel very strongly that if 1 million citizens of this country desire to continue the Postal Savings System as permanent depositors, it is a most important service. I submit that 1 million citizens of our country is a large segment of our country that is making use of this service. To liquidate it in a short period of time—I believe the bill says 30 days after date of enactment—and without sufficient notice we suggest is moving awfully rapidly in an important area.

Mr. DULSKI. You brought out a very good suggestion. I think our committee will ask the Post Office Department to justify some of this cost. I think this information should be available to the committee. I think it is a very important part of our consideration. Again, I commend you for the fine statement that you have made and your sincerity in looking out for the people that you people represent. Thank you.

Mr. JOHNSON?

Mr. JOHNSON. Do you have any members of your organization who work exclusively as a clerk handling postal savings?

Mr. NILAN. Yes, sir.

Mr. JOHNSON. In what post offices?

Mr. NILAN. Well, in my home post office in Minneapolis, there is a level 5 clerk that handles postal savings practically full time. He is a level 5 employee with 36 years of service, and this is one instance I know specifically. Mr. Chairman, I am not familiar enough with other post offices, but I would say there are about 175 full-time employees. In the majority of post offices, the postal savings function is an extremely small part of their 8-hour tour of duty on the window. Again, the tremendous costs, as against the accounts, seems unusually high.

Mr. JOHNSON. This man in your post office who handles this exclusively, if the System was liquidated what type of job would he be transferred to?

Mr. NILAN. Thank you for raising that question. He probably would be reassigned to a junior tour of duty, which he would have to accept. They might accommodate him with a day tour of distributing mail, which he has not done for 25 years—he is around 60 years old. He could be placed on an afternoon tour. It is my personal opinion that the man would retire rather than change from the type of work he has been performing for so many years. We find that when an employee has a choice of leaving the position he has enjoyed over the years, or going into a much less desirable assignment, he will retire if he is of retirement age, rather than accept the change.

Mr. JOHNSON. Is a clerk in charge of postal savings in a status job?

Mr. NILAN. He is in a preferred job, yes, sir, not only salarywise—he is a level 5—but he also is in a responsible position and our people take pride in our responsibilities.

Mr. JOHNSON. What type of person normally would be promoted to that type of account?

Mr. NILAN. The requirements usually are much more extensive than in mail distribution jobs. He must be accurate in working with figures and familiar with the regulations relating to the job. It is considered a high-caliber position—on this basis, a highly preferred job. Our people don't object to learning new regulations because of what is involved. There is a tremendous financial responsibility. He must handle money and receipts. We feel we get high-level types of clerks who progress to this position.

Mr. DULSKI. Do you have anything to add?

Mr. McCART. I would like to add just one comment. Testimony thus far indicates excessive costs charged to the Postal Savings System for the 1 million depositors in the System, with deposits exceeding \$400 million. To the best of our knowledge, there has been no step taken to secure the views of those most intimately involved—the depositors. The System was originally devised for their convenience. I sincerely suggest, Mr. Chairman, that some steps be taken by the Department or committee for finding out the attitude of the depositors about this most important legislation.

Mr. NILAN. If I may add to that, Mr. Chairman, we are in a peculiar position, and I think Mr. McCart's suggestion is excellent. Normally, when you close out any financial institution, notice is given to the people concerned for opportunity to participate. I heartily agree with Mr. McCart that the committee might consider this and request the views of the depositors. You would find considerable support from the patrons for continuing this service.

Mr. DULSKI. I agree, there are some 1 million depositors, but you must also look at the other side of the ledger. If we sent out a questionnaire, as many Congressmen do on issues, I am sure that many people would respond. We get many complaints from constituents, but I feel the people are represented by 435 Congressmen. I imagine by the time this is acted upon in this subcommittee and the full committee, the people will have had an opportunity to contact their Congressmen. Probably after the hearing here today, there will be articles in various newspapers. I am sure we will get some commentary.

Mr. NILAN. Thank you, Mr. Chairman.

(The following information about the assignment of cost to the Postal Savings System was furnished by the Post Office Department:)

The assignment of costs to the Postal Savings System follows the same principle as the assignment of costs to the other special services and the various classes of mail. Following this procedure, the cost of the Postal Savings System includes not only the personnel costs directly associated with its operation, but a proportionate share of the cost of space used, stationery and supplies, and work associated with accounting and safekeeping of funds.

The table below shows the breakdown for 1963 and 1964:

	1964	1963
Postmasters and supervisors personnel costs.....	\$452,789	\$461,155
Clerks personnel costs.....	1,533,210	1,725,655
Operation and care of building.....	535,274	502,982
General postal supply services, including overhead.....	21,427	22,724
Miscellaneous operations expense.....	20,666	17,361
Regional expense and general overhead.....	540,179	544,826
Total cost.....	3,103,545	3,274,703

Since a substantial portion of the total assigned cost is for personnel, pay increases such as those in October 1962 and January 1964 affect costs considerably. Despite these increases, however, there was a decrease in allocated costs for 1964 as compared to 1963. At the same time the decline in funds (deposits) available for investment resulted in a rapid decline in net revenue which more than offset the cost decreases. This decline can be expected to continue. Additional pay increases that might occur in the future will accelerate it.

Mr. DULSKI. Mr. David Silvergleid, we will be pleased to hear you now.

STATEMENT OF DAVID SILVERGLEID, SECRETARY-TREASURER, NATIONAL POSTAL UNION

Mr. SILVERGLEID. My name is David Silvergleid. I am secretary-treasurer of the National Postal Union. I do not have a prepared statement, but I would like to request the chairman's permission to submit one for the record. If I may, I would like to say that we have no objection to H.R. 2032, but we are opposed to H.R. 8030, as presently submitted. I would like to make just one observation. After listening intently all morning to the other witnesses, that this applies strictly to the 1 million depositors, mostly foreign born, and mostly those who invested their money back in the days during the depression and shortly afterward, it is very easy for us to point out and to say all the advantages that exist today in making deposits are available in privately controlled banks. We must recognize that these people witnessed the collapse of these banks during the period of the depression, which left quite an impression in their minds. They are more concerned with taking the money out. Their feelings ought to be ascertained, if at all possible, in connection with this proposal to abolish a system that has been in effect for so many years. I would like to put our thoughts on this in a written statement and submit it for the record.

(The statement follows:)

PREPARED STATEMENT OF SIDNEY A. GOODMAN, PRESIDENT, NATIONAL POSTAL UNION

My name is Sidney A. Goodman, and I am privileged to serve as president of National Postal Union, located at 509 14th Street NW., Washington, D.C. We represent over 53,000 postal employees, organized in excess of 500 local affiliates in 50 States, including Alaska, Hawaii, Puerto Rico, and the District of Columbia. I am accompanied by our secretary-treasurer, David Silvergleid.

We appear before this subcommittee to state we do not oppose enactment of H.R. 2032, which merely provides for the covering of unclaimed postal savings deposits into the Treasury of the United States. However, we are opposed to H.R. 8030, which proposes the dissolution of the Postal Savings System.

The Postal Savings System was placed in operation pursuant to an act of Congress during January 1911, and attracted the savings of immigrants who were accustomed to saving at post offices in their native countries. The interest rate was set at 2 percent per annum, with a ceiling on investments of \$2,500. For many years there has been neither effort nor attempt on the part of the Post Office Department to enhance the attractiveness of the Postal Savings System, despite the fact it was the only one of numerous special services that showed a profit. As a matter of fact, the Postal Savings System has shown a profit for every year of operations except one, with the net profit of almost \$240 million accruing to the Post Office Department.

The fact is that the abnormally low rate of interest paid, only 2 percent, is almost ridiculously low in the face of interest generally paid by banks, which averages close to 5 percent. A realistic increase in interest paid should assure a profitable operation while still constituting a best buy from the standpoint of present depositors.

As a practical matter, postal savings serves the same purpose as Government savings bonds, and raising the interest rate to 2.9 percent, the same as these bonds, would guarantee its fiscal soundness, as well as serving the public interest.

The Post Office Department now claims that the Postal Savings System, while it originally served a most useful purpose, has become outmoded, and requests its dissolution. The Postmaster General's Report of 1964 shows 1,076,000 depositors are still using the Postal Savings System. The Post Office Department is a public service, and has no right to shrug off any aspect of its service which includes over a million people. Depositors probably include in addition to former immigrants, many citizens who experienced the great depression and remember the bank failures. They are entitled to have a continuing opportunity to use a procedure which the Government encouraged in the first place.

Also, there must be many in less populated areas attracted by availability and the more convenient hours of post offices as against banks. One more aspect with special significance should be considered. For reasons which need not be gone into at this point, there are sections in metropolitan areas where minority groups predominate, but banks are much less available. H.R. 8030 would have the Government turn its back completely on moral and civic responsibility.

The Post Office Department has testified before this subcommittee that only 175 postal clerks are engaged full time on postal savings service. Even if the Department's estimate is accepted, it refers to only those postal clerks engaged full time on postal savings. However, in the overwhelming majority of post offices, postal savings is combined with other duties, as for example money orders, in order to constitute a full time preferred assignment. Postal savings windows are regarded as preferred assignments, and are generally filled only by clerks with top seniority who bid for the preferential tours and work connected with handling postal savings. Elimination could result in additional hundreds of window clerks with many years of service being returned to floor duties with all the hardships that would be involved in terms of disruption of tours and scheme study, just as if they were new employees.

In short, Mr. Chairman, we oppose H.R. 8030, and urge it not be acted upon. We thank you and the distinguished members of your committee, for the opportunity to express our views on this subject.

Mr. DULSKI. Thank you very much. Our last witness is here now, Mr. John K. Carlock, Fiscal Assistant Secretary, Department of the Treasury.

**STATEMENT OF HON. JOHN K. CARLOCK, FISCAL ASSISTANT
SECRETARY, TREASURY DEPARTMENT**

Mr. CARLOCK. I do not have a prepared statement. The Department has written to the committee. We are of the opinion that discontinuance of the Postal Savings System would be in the interest of good administration. I am prepared to answer any questions you might have.

Mr. DULSKI. Do you have a statement for the record stating your position?

Mr. CARLOCK. We have submitted a written letter to you on H.R. 4533. The same would apply to the post office draft bill, which had not been introduced when I last checked.

Mr. DULSKI. No questions. Mr. Johnson?

Mr. JOHNSON. I have a few questions. I am more interested in what happens once we close the postal savings out. Do you people get the names of these depositors? What are you going to do about it in your Department?

Mr. CARLOCK. The Post Office Department would have 2 years to liquidate it, and we hope, in that that time, it would be practically liquidated. We would take over the remnants, as it were, and do what is necessary to finish up the liquidation, started by the Post Office Department. All agencies that go out of business have done this—for example, a great many of the wartime agencies. It is just an added Treasury function.

Mr. JOHNSON. As Mr. Dulski suggests, there are sometimes notices in the newspapers. Will you advertise for persons having money on deposit with the Postal Savings System, if you are unable to locate them?

Mr. CARLOCK. That would be done by the Post Office Department before the final liquidation is turned over to us. We would just wind up what they had started. Most of that already would be done. We would just pay off those claims which showed up after that period.

Mr. JOHNSON. That is all.

Mr. DULSKI. We also have received statements from the United States Savings and Loan League, the National Associated Businessmen, Inc., and the American Bankers Association.

(The statements follow:)

STATEMENT OF UNITED STATES SAVINGS AND LOAN LEAGUE

The United States Savings and Loan League¹ supports H.R. 8030, the bill introduced by Representative Dulski, chairman of the subcommittee, to provide for discontinuance and liquidation of the Postal Savings System.

Frequently in the past 15 years the League has taken a position in line with the objectives of this bill. The decreasing use which has been made of the system in the postwar years has been simultaneous with the remarkable expansion of other savings facilities which afford safety and convenience, and which pay a higher rate than the 2-percent statutory rate on postal savings. At current rates on savings, for instance, those who have accounts in savings and loan institutions insured by the Federal Savings and Loan Insurance Corporation or deposits in banks insured by the Federal Deposit Insurance Corporation are earning approximately twice as much on the same amount of money as those who have deposits in postal savings.

¹ The United States Savings and Loan League is a nationwide trade organization with 5,100 members, including federally chartered and State chartered insured and uninsured associations. Its principal officers are John W. Stadler, president, Washington, D. C.; C. A. Duncan, vice president, Nevada, Mo.; Norman Strunk, executive vice president, Chicago, Ill.; C. R. Mitchell, legislative committee chairman, Kansas City, Mo.; and Stephen Slipher, legislative director, Washington, D. C. The League's Washington Office is at 812 Pennsylvania Building, Washington, D. C., 20004.

The two federally backed agencies for insuring deposits and savings accounts have now completed 30 years of operation and enjoy the deserved confidence of the savings public. Thus, the need for a post office savings system to give confidence to people who do not trust private financial institutions has long since passed. Furthermore, the U.S. savings bond program, with some \$48,670 million outstanding as of April 30, is (obviously) a more attractive means of investing directly with the U.S. Government than the postal savings system, where the deposits now represent less than one one-hundredth of that amount.

Convenience of savings facilities in smaller communities, which was lacking 54 years ago when the Postal Savings System was founded, has been multiplied many times by the emphasis on branches by both banks and savings and loan associations in the past 15 years. As of the end of 1964, the federally chartered savings and loan associations alone had 1,384 branches. The contrast between the situation of conveniently located branches and main offices to accept savings in 1965 as compared with 1949 is highly significant. In 1949 only 75 of the Nation's over 6,000 savings and loan institutions had any branches at all. The State-chartered insured associations likewise have made use of the branching device to reach new communities and less-populated areas not themselves supporting a financial institution. There is a well established network of savings and loan association facilities now in all 50 States and in Guam, Puerto Rico, and the Virgin Islands. A large number of the associations also accept savings by mail.

The fact that the Postal Savings System is phasing itself out can be seen most clearly in the statistics on new deposits placed in the system. In fiscal 1964 only \$63,154,600 was newly deposited. One has to go back to 1914 to find a lower dollar amount of new deposits placed in the system in any one fiscal year. Of course, this was one of the years when the system was only getting started. The decline in new deposits has been spectacular over the past 10 years, as may be seen from the fact that last year's dollar volume was only one-twentieth of the amount placed in postal savings as late as the year 1955.

The league supports the efforts of the administration to discover those Government programs which have outlived their usefulness and whose function is now being well performed by components of private enterprise with a view to eliminating them from the Government. We believe that the Postal Savings System, having served a useful purpose during its first 35 years of operations, is now definitely—in view of the constant decrease in use of its facilities for 15 years—one of those Government programs which can be discontinued with no disadvantage to any group in our society and should therefore be discontinued and liquidated.

STATEMENT OF ELTON KILE, PRESIDENT, NATIONAL ASSOCIATED BUSINESSMEN, INC.

Someone has said, with great wisdom and perception, that one of the toughest jobs in Government is to get rid of old programs that have outlived their usefulness. The Postal Savings System, whose eventual demise is proposed by H.R. 8030, with the official approval and recommendation of the Postmaster General, is a shining example of that aphorism.

Ten years ago, the Hoover Commission recommended that depositors in the postal savings banks be given an opportunity to exchange their deposits for U.S. savings bonds or transfer their accounts elsewhere.

In 1957 and again in 1959, National Associated Businessmen, Inc., on behalf of its banker members, proposed to your committee that bills similar to those now before you be adopted—and the arguments we presented at those times, when brought up to date statistically, are as valid now as they were then.

Elimination of Government's nontaxpaying competition with businesses of a great many kinds has been the major effort of National Associated Businessmen in recent years. Nearly one-quarter of our members are banks, some of whose most troublesome competitors are Government's various lending agencies and the Postal Savings System.

The conditions of 1910, which brought about the establishment of the Postal Savings System, have completely changed. Low-income people's fear of banking instability, which was rife after the panic of 1907, was done away with by the establishment of Government insurance of deposits up to \$10,000. The idea that the post offices could provide a banking system for bankless towns disappeared as new banks moved into communities wherever there was need. And interest

at the rate of 2 percent is no longer attractive when higher returns may be had almost anywhere.

The Postal Savings System has been on a declining market since 1947, when it reached an alltime high of 4,196,000 depositors who had \$3.4 billion in deposits. In our statement of 1959, we noted that the number of depositors had then dropped by more than one-half, to 1,900,000; that total deposits had decreased by two-thirds, to \$1.2 billion; and that some 60,000 accounts had become totally inactive.

Since that time, deceleration has continued at an even greater rate. Total number of depositors is now a million or less and the total amount of money on deposit has dropped, according to the System's most recent balance sheet, to \$356 million.

National Associated Businessmen is not impressed by the arguments that have been advanced for further continuation of the Postal Savings System. Far from losing their jobs, those postal employees who have been concerned with this banking function will be transferred immediately, we understand, to other tasks, without loss of time or pay. Moreover, we find it hard to believe that the owners of the deposits actually prefer Uncle Sam's 2-percent return on their money to twice that amount, or more, which is now available almost everywhere. Any fear that there might be an adverse effect on the Treasury if the bonds held by the Postal Savings System were suddenly liquidated is entirely groundless, for their total value is a minor fraction of the Treasury's average day-to-day cash balance.

The Postal Savings System admirably served its purpose for many years. But the need for it has long since ended, as is recognized by Postmaster General Gronouski. We therefore ask your committee to recommend H.R. 8030 and the companion bill, H.R. 2032, which is "to provide for the covering of unclaimed postal savings deposits into the Treasury of the United States."

Termination of government's invasion of the fields of private enterprise, including this one, is for the good of all our citizens. It has been wisely said that the Government should enter business only when private enterprise cannot do the job.

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., May 24, 1965.

HON. THADDEUS J. DULSKI,
*Chairman, Subcommittee on Postal Operations,
Committee on Post Office and Civil Service,
U.S. House of Representatives, Washington, D.C.*

DEAR MR. DULSKI: The American Bankers Association supports H.R. 8030 which provides for the liquidation and dissolution of the Postal Savings System.

This association for a number of years has supported the efforts of your committee and the Treasury to discontinue this System which was originally designed (1) to provide safe and attractive savings facilities for those who desired the security of the Government for repayment of their savings and (2) to provide adequate savings facilities in communities where bank savings services did not exist.

Today banks, savings and loan associations, and savings bonds supply adequate facilities for the deposit or investment of savings at rates that are well above the 2 percent paid by the Postal Savings System. If persons require absolute assurance as to the safety of the financial institutions holding their savings, they can look to the Federal Deposit Insurance Corporation and Federal Savings and Loan Insurance Corporation, agencies of the U.S. Government, for insurance of accounts up to \$10,000. Since the inception of these two institutions there has not been any loss to depositors with insured deposits in banks or insured accounts in savings and loan associations.

Since 1910, the date on which the Postal Savings System was created, banking services through savings by mail, and the increase in the number of branch banks, have become available to all citizens. It has been shown that most of the postal savings funds left in the account today come not from scarcely populated areas but from the larger cities where there is keen competition for the savings dollar.

The system had consistently lost funds since 1947 when over 4 million depositors had accounts totaling \$3.4 billion. Today there are only 1 million depositors and less than half a billion dollars on deposit. This leads us to believe that a large part of the money remaining in the Postal Savings System comes from the uninformed or forgetful.

As shown in a letter from the Postmaster General to the Speaker of the House dated January 4, 1965, 1964 figures indicate that the margin of income over expenses for the operation of the System amounted to only \$54,000 for fiscal 1964. It is noted that the Post Office Department anticipates a loss for the fiscal year 1965 which will increase in amount in years ahead. In view of this situation we believe it is in the interest of the Government as well as the depositors to close the Postal Savings System.

Sincerely yours,

CHARLES R. McNEILL,
Director of the Washington Office.

Mr. DULSKI. Thank you very much. The meeting stands adjourned.

(Whereupon, Wednesday, May 12, 1965, the hearing was adjourned.)

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