

Y4  
.P 84/10

1022

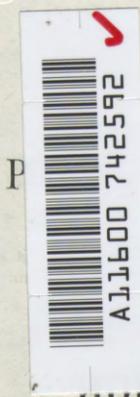
KANSAS STATE UNIVERSITY LIBRARIES

96-50  
9/11/88  
4/1/86

# 90-50 TECHNOLOGY OF POSTAL MODERNIZATION

GOVERNMENT  
Storage

(PART III)



## HEARINGS BEFORE THE SUBCOMMITTEE ON FACILITIES AND MODERNIZATION OF THE COMMITTEE ON OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

SEPTEMBER 25 AND 26, 1968

Serial No. 90-50

Printed for the use of the  
Committee on Post Office and Civil Service



U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1968

20-795

AY  
98410  
00-50

TECHNOLOGY OF POSTAL MODERNIZATION

COMMITTEE ON POST OFFICE AND CIVIL SERVICE:

THADDEUS J. DULSKI, New York, *Chairman*  
DAVID N. HENDERSON, North Carolina, *Vice Chairman*

ARNOLD OLSEN, Montana  
MORRIS K. UDALL, Arizona  
DOMINICK V. DANIELS, New Jersey  
ROBERT N. C. NIX, Pennsylvania  
JAMES M. HANLEY, New York  
CHARLES H. WILSON, California  
JEROME R. WALDIE, California  
RICHARD C. WHITE, Texas  
WILLIAM D. FORD, Michigan  
LEE H. HAMILTON, Indiana  
FRANK J. BRASCO, New York  
ROBERT O. TIERNAN, Rhode Island

ROBERT J. CORBETT, Pennsylvania  
H. R. GROSS, Iowa  
GLENN CUNNINGHAM, Nebraska  
EDWARD J. DERWINSKI, Illinois  
ALBERT W. JOHNSON, Pennsylvania  
JAMES T. BROYHILL, North Carolina  
DANIEL E. BUTTON, New York  
WILLIAM L. SCOTT, Virginia  
PHILIP E. RUPPE, Michigan  
JAMES A. McCLURE, Idaho  
FLETCHER THOMPSON, Georgia.

CHARLES E. JOHNSON, *Chief Counsel and Staff Director*  
B. BENTON BRAY, *Associate Staff Director*  
JOHN H. MARTINY, *Counsel*  
WILLIAM A. IRVINE, *Assistant Staff Director*  
THEODORE J. KAZY, *Senior Staff Assistant*

SUBCOMMITTEE ON POSTAL FACILITIES AND MODERNIZATION:

CHARLES H. WILSON, California, *Chairman*

DOMINICK V. DANIELS, New Jersey  
WILLIAM D. FORD, Michigan  
FRANK J. BRASCO, New York

EDWARD J. DERWINSKI, Illinois  
WILLIAM L. SCOTT, Virginia  
FLETCHER THOMPSON, Georgia

*Ex Officio Voting Members*

THADDEUS J. DULSKI, New York

ROBERT J. CORBETT, Pennsylvania



## CONTENTS

---

Testimony of—	Page
O'Marra, John L., Assistant Postmaster General, Bureau of Facilities; accompanied by Amos J. Coffman, Deputy Assistant Postmaster General; Dennis A. Jensen, Director, Real Estate Division; Conrad L. Trahern, Director, Procurement Division; Walter W. Kreimann, Director, Maintenance Division; Jack Nelson, Special Assistant for Financial Affairs; and Bob Stenstrom of the Office of Financial Management, U.S. Post Office Department.....	2
Packer, Leo S., Assistant Postmaster General, Bureau of Research and Engineering; accompanied by Paul G. Hendrickson, Director of Operations; Peter C. Hyzer, Director of Construction Engineering; Richard W. Harris, industrial engineer; Alvin P. Hanes, Chief, Industrial Engineering; and James L. Cole, Deputy Director, research and development, U.S. Post Office Department.....	33

# CONTENTS

Foreword by the Editor

1. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

2. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

3. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

4. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

5. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

6. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

7. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

8. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

9. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

10. *On the Structure of the Group of Automorphisms of a Free Group*  
by J. H. Conway and R. M. Wilson

## TECHNOLOGY OF POSTAL MODERNIZATION

---

WEDNESDAY, SEPTEMBER 25, 1968

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

The subcommittee met, pursuant to notice, at 9:55 a.m., in room 210, Cannon House Office Building, Hon. Charles H. Wilson (chairman of the subcommittee) presiding.

Mr. WILSON. The meeting will come to order.

I want to apologize to the witnesses we have this morning for the small attendance of subcommittee members. I think that you are probably aware of the problems we have been having for the past several months with duplicate committee meetings affecting many of the members. Yet, there is a possibility that three or four members will be with us as the morning goes on.

I would like to acknowledge the presence of our staff man, Mr. Ed Karoly, who, as you know, had a very tragic experience several months ago in July and was in very serious condition as a result of gunshot wounds suffered at the hands of a prowler. We are happy he is up and around and can be with us today. While we were waiting for Ed to recover Mr. Gould, my administrative assistant, has been helping to prepare for this session and assisting generally in the work of the subcommittee.

Ed, we are very happy to have you back and on your feet and looking so healthy. I know all of those who are associated with the Post Office and Civil Service Committee welcome you and wished you the best during the difficult time you have had.

The purpose of this meeting is to hear from the Bureau of Facilities and from the Bureau of Research and Engineering of the Post Office Department as to their long-range plans for modernization and mechanization of our postal service.

I think that the public, who we in Congress hear from so frequently regarding the postal service, is not aware of the planning and work that has gone into the improvement and modernization of our Post Office Department.

I think this meeting and the report to follow will let the public know just what is being done in the postal service. Also, it will show that we have very capable people who have come from industry and have outstanding backgrounds serving in the Post Office Department. These men are making very exciting plans for updating and modernizing the postal system.

This morning we are to hear from the Bureau of Facilities and Mr. John O'Marra, who is the Assistant Postmaster General for Facilities. Mr. O'Marra, if you will introduce in turn the other members of your staff, we will appreciate it very much.

**STATEMENT OF JOHN L. O'MARRA, ASSISTANT POSTMASTER GENERAL, BUREAU OF FACILITIES, ACCOMPANIED BY AMOS J. COFFMAN, DEPUTY ASSISTANT POSTMASTER GENERAL; DENNIS A. JENSEN, DIRECTOR, REAL ESTATE DIVISION; CONRAD L. TRAHERN, DIRECTOR, PROCUREMENT DIVISION; WALTER W. KREIMANN, DIRECTOR, MAINTENANCE DIVISION; JACK NELSON, SPECIAL ASSISTANT FOR FINANCIAL AFFAIRS; AND BOB STENSTROM OF THE OFFICE OF FINANCIAL MANAGEMENT**

Mr. O'MARRA. Thank you, Mr. Chairman.

I would at this point like to introduce the members of my staff who are present. On my left, Amos Coffman, who is the Deputy Assistant Postmaster General, and behind me Dennis Jensen, who is the Director of the Realty Division; Conrad Trahern, who is the Director of our Procurement Division, and Walter Kreimann, who is the Director of the Maintenance Division. These comprise the three principal arms of the Bureau, and with us this morning also is Jack Nelson, who heads up our Office of Financial Management, and one of his aides, Bob Stenstrom, who is going to help us with the charts.

Let me say for all of us that we are pleased to have this opportunity to talk about the goals and functions and some of the problems we see in the Bureau of Facilities and the Post Office Department. We are heartened by your demonstration of interest in understanding our problems and assisting us with them. We very deeply appreciate your concern, Mr. Chairman. We are, of course, going to work with you and the other members of your committee just as closely as we possibly can. The staff with me this morning will be responsive to questions you might have in this area of modernizing the postal service.

I would like to begin by saying that the primary task of the Bureau of Facilities is to plan, program, and execute the Department's capital investment program. When I say the Bureau of Facilities does that, I do not mean to imply this is a solo performance by any means. The Bureaus of Operations and transportation have people deeply involved in developing needs for the Post Office Department. The Bureau of Research and Engineering, from whom you will hear later, is equally involved in the planning and the execution of the program.

The Bureau of Facilities serves as the central coordinating point where the interests of the entire Department in capital investment and the acquisition of capital equipment are centered—where the program is put together—and most importantly, where the responsibility lies for explaining and justifying the program to Congress for funding purposes.

I would like this morning to use some charts, copies of which have been provided to you in the event it is not possible to see everything on the easel. These charts cover three principal areas. I would like first

to describe the Department's capital investment program; secondly, to explain some of the procedures for accomplishing this program, and finally, to close by mentioning some principal problem areas as we see them today.

With your permission I would like to start out with some charts that will, I think, convey to you the size and scope of the Department capital investment program.

### *THE POSTAL MODERNIZATION PROGRAM CONSISTS OF...*

- Modernization of Space
  - Construction of Federally-owned Facilities
  - Lease of Specially Constructed Facilities
  - Modernization of Federal Buildings
- Mechanization of Mail-handling Systems
- Motorization of Carrier Routes
- Automation of Data Processing

On the first chart, we have listed the elements of the postal modernization program that pertain to capital investments. These are modernization of space, mechanization of mail-handling systems, motorization of carrier routes, and automation of data processing. These programs are funded through the Bureau of Facilities appropriations. Although the modernization of space through construction of federally owned facilities, lease of specially constructed facilities, and improvement of Federal buildings gets a good deal of publicity, these other elements—mechanization, motorization and automation of data processing—are also important parts of the overall modernization program.

As you know, the Department has been engaged in carrying out a modernization program for over 2 years now. It is a good beginning. From the enumeration of the division directors' titles in the Bureau of Facilities, you can see we have the responsibility for obtaining the elements of the modernization program.

The Bureau of Facilities is deeply involved because this Bureau has the responsibility for obtaining buildings and mail-handling equipment, vehicles, and computers; it awards and administers contracts and turns over procured items to the operating people. We do not quite lose contact after we turn equipment and space over to the operating people in that we have a continuing maintenance responsibility for the space and equipment of the Department.

## THE DEPARTMENT PLANS TO INVEST \$2.8 BILLION IN MODERNIZATION DURING FY 1968-1974...

### -SPACE<sup>1</sup>

149 Federal Construction Projects  
7 Major Leased Facilities  
8 GSA Multiple-use Federal Buildings  
5 Major Extension and Modernization Projects

Providing 49.3 million square feet of new space  
Costing \$1,700 million (\$1,500 million - Federal; \$200 million - Private)

### -MAIL-HANDLING SYSTEMS

690 Fixed Mechanized Systems  
1,450 Pieces of Non-fixed Mechanization

Costing \$580 million

### -VEHICLES

150,000 for Carrier Motorization  
26,000 for Bulk Transfer  
2,000 for other use

Costing \$450 million

### -DATA PROCESSING

225 Post Offices in the Postal Source Data System  
7 Postal Data Centers and Headquarters Facility

Costing \$100 million

<sup>1</sup> Does not include minor Federal Building Improvements, minor lease and rent projects

The program is far reaching and expensive, requiring an investment of nearly \$3 billion for the period from fiscal years 1968 through 1974. This chart (see above) shows the extent of our plans for modernization and provides a background against which to evaluate and consider more specific aspects of the program. To meet critical space needs, we are planning 169 major facility projects which will provide 49.3 million square feet of new space.

We expect to acquire some 2,100 fixed mechanized systems and items of nonfixed mechanization, over 175,000 vehicles, and to significantly expand our data processing capability. This is an ambitious program, but one which is very much needed due largely to our failure to plan ahead in these areas during years past.

Mr. WILSON. May I interrupt at this point?

Mr. O'MARRA. Yes, sir.

Mr. WILSON. On the space program you show seven major leased facilities. Is this a departure from what the policy has been, to lease only buildings of 50,000 square feet or less?

Mr. O'MARRA. I am going to explain the policy for you a bit later if I may, sir.

Mr. WILSON. All right.

## ACCOMPLISHMENTS STILL REFLECT A LOW LEVEL OF CAPITAL INVESTMENT...

FISCAL YEAR	TOTAL POD OBLIGATIONS (\$'000's)	ACTUAL CAPITAL INVESTMENT (\$'000's)	PERCENT
1966	5,738,558	105,481	1.84 <sup>1/2</sup>
1967	6,177,333	136,409	2.21
1968	6,816,225	221,575	3.20
1969	7,297,710	250,000	3.43

<sup>1/2</sup> Average rate for years 1958-1965 is 2.22%

Mr. O'MARRA. This chart (see above) shows the relationship of capital investment to total Department obligations for fiscal years 1966 through 1969. The total of \$250 million in investment funds granted to the Department during this current fiscal year amounts to 3.4 percent of anticipated Department obligations, which is a substantial increase from the fiscal 1966 level of 1.84 percent. Nevertheless, this is a very modest amount when you consider that the Department failed to invest on any substantial level in past years, as indicated by the average rate, shown in the footnote, of 2.2 percent for the years 1958 to 1965. Yet the level of the investment now in space and mechanical equipment determines the extent to which the Department can effectively improve its productivity and handle the volume of mail expected in future years. Preliminary estimates for 1970 show an encouraging increase in investment outlay, but this amount is subject to forthcoming evaluation by both the Bureau of the Budget and the Congress.

It is precisely this kind of investment, new space, mechanized mail-processing equipment, vehicles, and the computer and computer-related pieces of equipment that will determine in future years the ability of the Department to improve service and to improve its productivity. So these are developments directly in the interest of service to our patrons and cost to our customers.

I came into the Post Office Department out of the Bell Telephone System, a large nationwide organization comparable in size employee-wise to the postal service. The Bell System has somewhat higher revenue than the postal service, but annually over the last 10 years, 30 to 35 percent of revenues was invested in plant and equipment by the Bell System. And this 30 to 35 percent compares with the peak of 3.4 percent that the Post Office Department arrived at in fiscal year 1969.

## THE VOLUME OF MAIL PROCESSED MECHANICALLY WILL ABOUT DOUBLE BY FY 1972...

FUNCTION	UNITS INSTALLED	FY 1968 POST OFFICES	PERCENT OF VOLUME	UNITS INSTALLED	FY 1972 POST OFFICES	PERCENT OF VOLUME
<b>MAIL PREPARATION SYSTEMS</b>						
Culling and Facing Conveyors	684	682		834	832	
Face-Cancellers	360	197		754	283	
Stacker-Feeders	348	197		698	283	
	1,392	879	39.2	2,286	1,115	84.9
<b>MULTIPLE POSITION LETTER SORTERS</b>						
	137	65	31.1	289	103	65.2
<b>SACK SORTING SYSTEMS</b>						
Multi-slide Sack Sorters	2	2		29	27	
Non-fixed Sack Sorters	5	5		28	28	
Fixed Sack Sorters	80	55		145	103	
	87	62	58.6	202	158	85.0
<b>PARCEL SORTING SYSTEM</b>						
Multi-slide Parcel Sorters	13	11		73	60	
Fixed Parcel Sorters	92	31		197	55	
	105	42	44.1	270	115	73.5

We'd next like to show you the items of capital equipment in somewhat more detail. This chart (see above) presents a picture of our overall mechanization program. It indicates that we expect by 1972 the volume of mail processed mechanically to about double as the result of the acquisition of mail processing equipment planned during that period of time.

By 1972 we anticipate having over 3,200 pieces of fixed and non-fixed mechanization in our system. This has implications not only from a funding and procurement standpoint, but from a maintenance standpoint as well, because the equipment is becoming increasingly sophisticated.

I would like to look now, if you will, at another chart which presents a picture of our space plans for the current 5-year period. (See below.)

### **FEDERAL CONSTRUCTION TO PROVIDE FOR SPACE MODERNIZATION NEEDS...**

	FY 1968	FY 1969	FY 1970 - 1972	TOTAL
<b>POSTAL PUBLIC BUILDINGS</b>				
Projects requiring construction funds	2 <sup>1</sup>	3	85	90
Purchase	---	---	21	21
Required Funds (\$000's)				
Site and Design	\$15,124	\$17,867	\$161,107	\$194,098
Construction	34876 <sup>1</sup>	32,133	646,420	713,429
Purchase	---	---	77,004	77,004
<b>LEASED-MAJOR FACILITIES</b>				
Projects	12	1	5	18
Annual Rent (\$000's)	\$8,897	\$783	\$3,074	\$12,754
<b>LEASED-MINOR FACILITIES</b>				
Projects	1,038	1,050	3,300	5,388
Annual Rent (\$000's)	\$10,202	\$10,749	\$38,700	\$59,651

<sup>1</sup> Morgan Station project to be funded in FY 1969

We plan to award construction contracts for some 90 federally constructed buildings and consider the purchase of 21 buildings currently leased.

Mr. Chairman, you raised the question about this shift from Federal construction to leased construction, and I think the figures reflect the shift. If you go down to about the middle of the chart where we show the lease projects planned, you note we had 12 in fiscal 1968 and the figure drops off to one anticipated in 1969 and five over the next 3-year period.

We are making this kind of change and just a little bit later I want to discuss the policy and funding implications. The major use of our leasing authority will be for the smaller minor facilities, and you will note we anticipate approximately 1,100 such projects each year. These projects are handled in our regional offices. At headquarters, we handle the major facilities program and minor facilities of less than 50,000 square feet are generally handled in the regions. We have made some exceptions to this policy and delegated slightly larger facilities to the regions; but in those instances, little or no fixed mechanization was involved.

I mentioned that in the past not enough attention was paid to development of the postal plant and its equipment on a level that would correspond to the size and scope and responsibility of the Post Office Department. I think the point can be demonstrated by some of the material on the next couple of charts.

### ***CRITICAL SPACE NEEDS TO BE MET WITH THE NEW FY1969 PROJECTS***

A 5.3 million square feet space deficiency between existing and operational requirements

Under 100,000 square feet . . . . .	5 Projects
Over 100,000 and under 250,000 square feet . . . . .	10 Projects
Over 300,000 square feet . . . . .	7 Projects

A projected 13.4 billion piece increase in mail volume 20-years after move-in date

Under 350 million pieces . . . . .	11 Projects
Over 350 and under 1,000 million pieces . . . . .	8 Projects
Over 1,500 million pieces . . . . .	3 Projects

Replacement of facilities that are between 26 and 83 years old

Under 30 years . . . . .	4 Projects
Over 30 and under 50 years . . . . .	9 Projects
Over 50 years . . . . .	6 Projects

18 existing split operations to be replaced by a centralized facility

19 plants are Sectional Centers serving 1,259 Satellite Offices

In the fiscal 1969 program, we asked funds for 22 new major facility projects. This chart (see above) indicates that these projects alone will provide something over 5 million square feet of space to meet deficiencies that exist today between our existing space and the space operational requirements dictate.

Seven of these 22 projects, for example, meet a space deficiency of over 300,000 square feet.

We expect the increase in mail volume in these 22 facilities, 20 years after move-in day, will be some 13.4 billion pieces of mail. This is what we have to equip these facilities to be able to handle as we look to the future.

The age of the existing buildings being replaced is interesting. The age ranges between 26 and 83 years, the age of the existing facilities being replaced. Memphis is the oldest of this group.

There are five offices in the group that are over 55 years old and each one of these is, of course, a major mail processing plant in our system.

Another way to look at our existing space needs is to realize of the 20 largest post offices we have today, five have been replaced in the last 8 years and the average age of the remaining 15 postal plants is 40 years. They were designed and built at a time when you could not anticipate the mail volume that would exist today and mechanization was not even thought of. These buildings are crowded, the working conditions of employees are not what they should be, and in many instances the buildings cannot be mechanized because we do not have either the ceiling height or the floor loading capacity, which means we have to remain with a manual type operation.

The point in mentioning this to you is to show that even without the higher demands we see on our service in the future through increasing mail volume, we would still have a very sizable capital investment job to do just to bring obsolete facilities up to date.

These outlays are also profitable investments for the Department. This next chart (see below) analyzes the savings that we expect to

### ***AN INVESTMENT OF \$369 MILLION WILL SAVE \$876 MILLION OVER THE LIFE OF THE FACILITIES***

Savings obtained through more economical operation by replacement of existing facilities with new postal plants<sup>1</sup>

Under \$10 million . . . . .	7 Projects
Over \$10 and under \$25 million . . . . .	7 Projects
Over \$25 and under \$75 million . . . . .	4 Projects
Over \$75 million . . . . .	4 Projects
Difference in cost between Federal and Lease Construction <sup>1</sup>	
Under \$5 million . . . . .	11 Projects
Over \$5 and under \$15 million . . . . .	8 Projects
Over \$20 million . . . . .	3 Projects

<sup>1</sup> Based on a 40-year useful building life for the 22 new FY 1969 Projects

realize from these same 22 projects which are a part of the modernization program.

The first group of savings are calculated on the basis of the cost of present operation versus the cost of operations after occupancy of the new facility. All such savings are present-valued so we can make a comparison with planned investment. Seven of these projects, over the 40 year useful life of the buildings, will save less than \$10 million while four projects will each save over \$75 million in reduced operating costs during their useful life.

The second group of savings on this chart compares the cost of Federal versus lease construction. Anticipated rent payments were present-valued at 4.5 percent over 40 years and then compared to the amount of investment we would make under postal public buildings. It indicates that the difference in cost, again over the life of these buildings, on three projects is over \$20 million and on eight projects between \$5 and \$15 million, thereby favoring the Federal ownership of these large facilities.

Again capital investment, here in space, is profitable to the Department.

Turing now to another portion of our modernization program, this chart (see below) depicts the procurement schedule in support of our carrier motorization program.

***IN TWO YEARS, WE WILL COMPLETE THE CARRIER MOTORIZATION PROGRAM LEAVING ONLY REQUIREMENTS FOR VEHICLE HIRE REPLACEMENT, NEW SERVICE AND OBSOLESCENCE...***

CALENDAR YEAR DELIVERED	FY 1968			FISCAL YEAR FY 1969			FISCAL YEAR PROCUREMENT FY 1970			FY 1971		FY 1972	
	M <sup>1</sup>	V <sup>2</sup>	NS <sup>3</sup>	M	V	NS	M	V	NS	VH	NS	VH	NS
1968	200		800										
1969	3,548	1,000	1,350	716	26	646							
1970				6,444		2,586	4,000	860	5,684				
1971							6,000	1,290	8,535				
1972										210	2,300		
1973												275	2,450
Total of New Requirements	6,898			10,418			26,369			2,510		2,725	
Replacements	5,000			9,993			12,938			14,290		19,825	
Total Carrier Motorization Program	11,898			20,411			39,907			16,800		22,550	

<sup>1</sup> For Carrier Motorization

<sup>2</sup> To Replace Vehicle Hire

<sup>3</sup> For New Service

As you know, we have been over the past several years converting foot routes to motorized routes and we hope to substantially complete this program in fiscal 1970. We are going to constantly have a requirement for vehicles in support of new service as population continues to grow and the suburbs expand to create new mail routes. In addition, as the size of our fleet grows, the need for replacement vehicles increases. For example, in fiscal 1968, we required 5,000 vehicles for replacement purposes. If you look at fiscal 1972 and the Congress does fund this kind of program, we will need 19,825 vehicles just for replacement.

In this area savings on vehicles are good investments for the Department. As an example, on the 10,418 new vehicles for carrier motorization in fiscal 1969, we expect, after payment for the vehicles, a net saving of \$15 million.

The last of the specific capital investment areas I would like to touch on, is covered on this chart (see below). Here is a long-term view

***AN EXPANDING DATA PROCESSING SYSTEM IS PLANNED TO MEET GROWING MANAGEMENT, ADMINISTRATION, BUDGET AND ACCOUNTING REQUIREMENTS. . .***

The Department has or will have funded, as of:

<u>FY 1968</u>	<u>FY 1969</u>	<u>FY 1972</u>	<u>AUTOMATIC DATA PROCESSING PROJECT OR EQUIPMENT</u>
75	75	175	Post Offices with Postal Source Data Systems
7	7	7	Postal Data Centers
--	1	1	Large scale computer
158	335	935	Microfilm Viewers and Printers
--	2	44	Optical Character Recognition Devices

of our plans in the data processing area. For example, our postal source data system could expand to 175 offices by fiscal 1972. We are expanding the system on an incremental basis and only after we have fully implemented the first 100 offices will we study the next group of offices in which the system might be extended. This approach is necessary to satisfy ourselves that this is a wise and prudent investment of funds for the Post Office Department.

As of now we have our six postal data centers and the data processing center in the headquarters. This year we do have funds for buying a new large-scale general purpose computer and some associated equipment. This is going to cost us \$6.8 million. While this computer will have the capacity for many functions, we have identified three projects, transportation scheduling, writing of money orders, and personnel records for data processing. On those three functions alone, which do not begin to use up the capacity of this computer, we expect to pay for the computer and its equipment and realize a net saving over a 5-year period of close to \$6 million. There will be additional savings as additional jobs are programed for this same computer and we have already offset the computer costs by charging them to these three projects.

That is a view of what our program is today and looks like in the years ahead in the capital investment area.

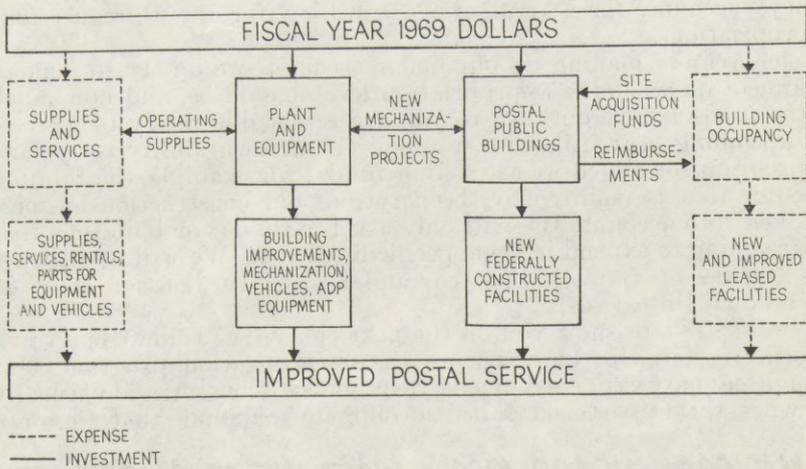
I would like now to turn to the second area that I wanted to cover briefly. That is, how this program is accomplished.

As we all know, the program just does not happen. It requires good planning, constant direction, and execution. It also takes the talent, skills, experience, and knowledge of many professional people; experts in operational requirements, in engineering, in real estate transactions, in procurement and in contract administration. We are fortunate to have talented people in these activities.

To execute this program requires money, money to get these people and money for the capital items involved. The Department is funded, as you know, through eight separate appropriations.

This next chart (see below) shows the four appropriations that

**SUPPORT OF THE MODERNIZATION PROGRAM IS ACCOMPLISHED THROUGH FOUR INTERRELATED APPROPRIATIONS...**



are the responsibility of the Bureau of Facilities. These four appropriations relate to our maintenance of existing facilities and our capital investment program.

Last year Congress divided "Building Occupancy" and "Postal supplies" into two separate appropriations. These are shown in the dashed lines on the chart—building occupancy and supplies and services. These are the expense appropriations. We need funds in "Building occupancy" to meet prior year contractual obligations. This is the account with which we pay the rent, and it is the account through which we pay for the utilities consumed in the operation of our buildings. So this is not capital investment, but current expenditures.

In the "Supplies and services" appropriation, likewise an expense appropriation, we purchase the supplies and services that are consumed in our day-to-day activities in processing the mail.

The inner blocks show the two appropriations which are our investment appropriations. They are shown in solid lines—Plant and Equipment and "Postal public building" appropriations. The funds in these two accounts make up the Department's capital investment program.

We have shown some lines here to indicate to you that all of these appropriations are interrelated. For example, we will buy items in the plant and equipment account, items of machinery and postal equipment that do require an expenditure from the supplies account in order to keep them going. We also buy items in the plant and equipment account that will go into new postal public buildings, federally owned buildings, or in leased building that we now occupy. These accounts, then, do not stand on their own, but rather there are programs which weave through two or more of them.

We assemble our requirements in these accounts by gathering information from the other bureaus in the Department. To give you some idea of the relative magnitude of these individual appropriations, for the current fiscal year we have \$110 million in "Supplies and services", \$200 million in "Plant and equipment", \$50 million in "Postal public buildings", and \$210 million in the "Building occupancy" account, for a total of \$570 million for the Bureau's four appropriations.

Each year in making up our budget request, we do try to make a judgment on what the appropriation level should be, and how much of the needs I have outlined to you are reasonable to try to meet in the upcoming year. Likewise, we look at our own ability to execute a program for which we are asking funds; for example, the funding schedule that is required by the nature of our construction business is taken into account. We will only ask for funds for buildings that we are going to expend in that specific fiscal year. We will usually get site and design funds in one year and ask for construction funds in the following fiscal year.

I would like to show you on the next chart (see below) our track record, if you will, in executing the modernization program. Our committees have expressed in past years some discontent, and naturally so, when the Department failed to obligate the funds that were ap-

### *IN FISCAL YEARS 1966 and 1967, WE ACCOMPLISHED THE PROGRAMS YOU AUTHORIZED...*

THE MODERNIZATION PROGRAM	PLANNED	ACTUAL	PLANNED	ACTUAL
	FY 1966 (\$000's)	FY 1966 (\$000's)	FY 1967 (\$000's)	FY 1967 (\$000's)
Lease of Specially Constructed Facilities...	107,005	105,437	117,317	115,006
Modernization of Federal Buildings.....	17,833	14,775	12,416	16,939
Mechanization of Mail-handling Systems...	25,323	29,053	21,218	25,448
Motorization of Carrier Routes.....	12,378	17,921	20,290	21,209
Automation of Data Processing.....	4,764	2,857	36,417	35,433

propriated in that session. We are glad to be able to show you through these charts that we have obligated the appropriated funds since fiscal 1966.

Mr. SCOTT. Mr. Chairman?

Mr. WILSON. Mr. Scott.

Mr. SCOTT. I commend the chairman for arranging for this meeting and Mr. O'Marra being here with his staff. But you talk about the programs that you have constructed and I am concerned about the relationship between this subcommittee and the Department because Mr. Coffman was up here and we were asked to extend, as we did, the lease-purchase law. We were told that the subcommittee would be consulted, that our views would be considered, and yet when it was contemplated that the facility at the National Airport would be expanded I offered objection to this, the then chairman of the subcommittee, Mr. Pool, objected to it, but the Department went right ahead as if we had not interposed any objection at all.

How can we bring a better relationship with the Department? We made the suggestion that consideration be given to Dulles Airport. That is in my district. Are you familiar with that?

Mr. O'MARRA. I am, and we did look carefully at that, Mr. Scott. Our problem today in that one particular instance you cite is that we require the facility at the location where the mail is being received. I can assure you that when and as Dulles Airport handles significant mail, the Department will be interested in a facility at Dulles. Our putting the facility there at the moment would not help the Department in handling the mail.

Mr. SCOTT. As I understand, you are modernizing the facility at National Airport and there are many in the Congress that do not want to see this airport expanded. This is a controversial matter and you got in on the side of expanding the National Airport when it is already overcongested. I did not feel, and I say this in all sincerity, that the Department gave due consideration to my views on this or the views of the chairman of this subcommittee. And if this continues to happen, certainly I will offer an amendment to the bill when it comes up again so that the Department will not have this freedom. I think it should have it, but at the same time I think it should pay some attention to this committee and to the members of the subcommittee.

Mr. O'MARRA. I wholeheartedly agree with you on that, sir.

As I recall, our commitment at National is a 5-year commitment, a commitment of the Post Office Department which certainly gives us the utmost flexibility with respect to a shift from National. When a facility is required at Dulles, constructed and in being, the Department should be able to reduce operations at National.

Mr. SCOTT. When we were considering this Mr. Coffman, who was then the Acting Assistant Postmaster General, assured the committee and the members that the Department would be very hesitant to take any action that the subcommittee did not agree with. Yet there was not 1 day's delay in this.

Mr. COFFMAN. I would like to comment on that, Mr. Congressman.

As you know, the statute which was passed and under consideration at that time, required that 30 days before we enter into a contract for a leased facility of 20,000 square feet or more, we were required to

file a report with the committee in each instance. In this instance we did file such a report. In my testimony I said we would be concerned about individual requests and we would be very concerned about committee action with respect to those reports.

What we had in this instance, as I read the record, was your own individual objection to the facility, and we took it into account very carefully.

Mr. SCOTT. You also had the chairman's objection.

Mr. COFFMAN. I understand the chairman sent your objection on to us. But to capsule it, we received no resolution of the committee on this matter and of course that would be a very serious consideration to us. I am not attempting in the least to say we were concerned with your opposition; we were. We attempted to deal with it. Mr. Batrus, Assistant Postmaster General for Transportation, wrote an explanatory letter, but we tried to explain we were simply trying to provide space for the quantity of mail that was there and nothing else. We were not getting into the dispute between National and Dulles Airport.

Mr. SCOTT. Let me see if I understand.

In order for the committee to be effective in controlling this, then the committee must adopt a resolution rather than for a member of the committee or the chairman of the committee to contact you by letter. Before you folks would be persuaded it would take a committee or subcommittee resolution. Is that it?

Mr. COFFMAN. I cannot answer in those specific terms. Certainly, as I said and as we did in this case, we are concerned about any objection and especially from a member of the committee who is reviewing our report. We felt we dealt with your objection fairly and reasonably.

Mr. SCOTT. Did you delay it a day?

Mr. COFFMAN. I do not recall whether we delayed it a day. It was delayed after the time we had authority to enter into the transaction, I know, but I do not have the timetable in front of me.

Mr. SCOTT. I just want the record to show that I do not feel proper consideration was given to this matter and when the Department comes back before this committee, if I am a member of the subcommittee, that will be brought up again.

Mr. WILSON. Mr. Scott, I would like to assure you it is my intention, as chairman of this committee, to maintain a very close relationship with the Bureau of Facilities and to certainly attempt to allow every member who has a legitimate question about any facility that is being proposed to have his case heard.

I would agree, however, that I think the most effective way for us to have some influence on the Department would probably be to pass a committee resolution. Apparently this was a matter you and Mr. Pool had discussed and I appreciate the fact that he did forward your letter and apparently expressed his interest in your complaint to the Post Office Department.

In line with this, I would like to ask you, Mr. O'Marra, what control you do have in the Department over what planes deliver the mail in the Washington area? Do you have any choice as to whether it goes to Dulles or National Airport, or is this tied in with the air pattern and the flights by the various companies?

I would hope, too, along with Mr. Scott, we could utilize Dulles more than we have because this is where we have the room, and I think it was intended to be this way. I can also appreciate the fact that at the time the decision was made, perhaps you had to go where the activity was.

Mr. O'MARRA. This question would be more properly answered by the Bureau of Transportation, but from my knowledge of it and subject to correction, we do not of course control a vast amount of mail that moves on commercially scheduled flights. The Department does have some control in the air taxi areas where we can by contract arrange a flight to cover service between locations where suitable commercial service is nonexistent. The Department does have control in that area. But again, based on my limited knowledge, I do not feel that the situation that exists today between National and Dulles falls into that latter category.

The large carriers are handling the mail; they are landing at National Airport and that is where we have to be able to receive and handle the mail. We felt the short-term nature of our lease—and let me just verify that.

Mr. COFFMAN. It is 5 years.

Mr. O'MARRA. Did recognize Mr. Scott's and other interests and we were not tying ourselves to National Airport for a long period of time. We do have leasing authority up to 30 years, but we did use 5 years in this instance.

Again, I would like to assure Mr. Scott that just as promptly as there is mail to handle at Dulles, the Department will be interested in establishing a facility at Dulles. We also hope it grows because we can see the same advantages that you see.

Mr. SCOTT. Might I add, Mr. Chairman, this Government has a \$110 million investment at Dulles. It was constructed with Government funds. I have talked with a number of pilots and they are concerned about congestion at National Airport; some Members of Congress are likewise. There is a difference of opinion as to whether it is a dangerous situation at National and I would hope the Department would take this into consideration.

Mr. O'MARRA. Yes, sir.

Mr. WILSON. As you well know, the FAA did want to decrease the activities at National. It was because of congressional pressure that they did not discontinue some flights. I can certainly appreciate the problems that Federal agencies have in trying to satisfy all Congressmen. Mr. Scott, as you may know, it was the FAA's hope that they could divert all jet flights to Dulles, but the strong Illinois delegation had a great influence on the final decision not to divert such flights to Dulles.

Probably the Bureau of Facilities is caught in the same type of controversy between two or more Members of Congress. They would like to be able to satisfy all Congressmen to the best of their ability, yet they have to make the decision one way or the other, and someone is going to be disappointed.

I would again repeat, however, I certainly agree we should utilize Dulles more than we have done and I am sure this is your intention.

Mr. SCOTT. Just one further word and I will quit.

This is still under consideration by a hearing officer of the Civil Aeronautics Board. They are trying to get a recommendation from the Department of Transportation so they can reschedule the flights. I have no doubt they will be rescheduled and the Department might well be aware of this.

Mr. O'MARRA. If they are, we of course will be handling the mail and need a suitable facility that will be something beyond what we presently have at Dulles. And we will take steps to get it.

Mr. COFFMAN. I want to reinforce that. As you perhaps know, we have a facility at Dulles where we handle a substantial quantity of mail, more than you might expect us to be handling there, but it has just about reached capacity with the mail now being handled. In this case, it would look like an increase in mail would indicate a larger facility. We now occupy a building that was originally built in connection with the airport.

Mr. WILSON. Thank you very much for helping to clear up this problem.

Mr. O'MARRA. Yes, sir.

The purpose of this chart is to point out that, for example, in the areas of mechanization in the mail handling system in fiscal 1966 and 1967, we not only committed our funds requested and planned for this purpose, but were able to commit some additional funds diverted from other purposes.

#### ACTUAL PERFORMANCE AND PLANS (CONT'D)...

THE MODERNIZATION PROGRAM	PLANNED FY 1968 (\$'000's)	ACTUAL FY 1968 (\$'000's)	PLANNED FY 1969 (\$'000's)
LEASE OF SPECIALLY CONSTRUCTED FACILITIES	132,231	126,881	150,665
MODERNIZATION OF FEDERAL BUILDINGS	41,855	44,678	17,000
MECHANIZATION OF MAIL-HANDLING SYSTEMS	65,029	60,242	65,465
MOTORIZATION OF CARRIER ROUTES	25,477	25,465	47,541
AUTOMATION OF DATA PROCESSING	4,279	9,746	10,520

This chart (see above) shows our record for fiscal 1968 and what we plan to do in each of these areas in fiscal 1969. The point I wish to leave with you is that we take into account, in asking for funds, our ability to properly manage the expenditures of funds and we have had in the years shown here the ability to accomplish our program.

We have two examples of the planning and management techniques that we used in accomplishing our programs. I would just like to mention them briefly.

We have what we call a F-ACT-S system in the facilities area. This system involves computer storage of many items of information on our 27,000 leased facilities, our 3,000-plus federally owned facilities and over 2,000 new facilities in some stage of development. We can generate management information reports that we need, forecast our requirements for rent, project utilities cost, and so on, based on the bank of information on existing facilities.

On our facilities in process we have stored milestone information on all size facilities. As you know, the bulk of our program numerically is in the regions. We can produce management information on the status of each facility in process so that our regional managers and supervisors are able to measure how effectively the real estate offices are performing.

For example, we know what should have been accomplished in an accounting period, and the computer can tell us just what was accomplished. So this F-ACT-S system has two purposes; information storage on existing facilities and a technique to produce data for planning, reporting, and management control purposes on work in process.

Mr. WILSON. In connection with the computer program, is the Department dealing with any particular computer company at this time, or do you allow all companies to bid on a proposed program? What is the procedure you follow?

Mr. O'MARRA. I will have to say that I do not know the answer to that, but I would be very happy to get it for you unless someone here on the staff has it.

Mr. COFFMAN. Mr. Chairman, I believe I might clear that up. We are dealing with the Control Data Corp. with respect to the major part of procurement of ADP equipment, to the extent that they have a \$33 million equipment contract for the postal source data system.

I understand that the method used in awarding that contract was what I believe can accurately be described as competitive negotiation. That is, the various ADP companies who were interested made proposals to the Department, which were evaluated and the award then made to the company which could produce the desired equipment at the lowest price. This was the method used in awarding the contract to Control Data Corp.

Mr. WILSON. Thank you.

Mr. O'MARRA. Another management technique the Department uses in the procurement area is one we call Project Speed. This is a very significant management tool for a complex program. We have assigned for all major items of procurement, key milestone dates for accomplishing necessary procurements and have identified the various offices and bureaus within the Department that are responsible for accomplishing that milestone. Again, this is a computer-oriented technique. Any time we wish to know the status of our programs, we can get information from the computer which tells us what we accomplished on time, what we have missed, and who missed it. We are then in a position to immediately speed up the program.

Incidentally, we have distributed this schedule to all prospective suppliers of our equipment. They find the document extremely useful because it programs our procurement action over the course of a year. It gives them an overall picture of our requirements, rather than

learning of them as the individual items are put out for bids. Our bidders can then schedule their own in-house activities to be in the most favorable position to bid on Post Office Department procurement when the date for those bids arrives.

Mr. SCOTT. Mr. Chairman, let me ask, on your contract when it is for construction of a facility or architects, of any general nature, where you enter into agreement, do you give consideration to trying to get people from the States where the facility will be, or do you just go anywhere in the country?

I have had some architects, as I recall, that made inquiry about this and some other people that come by the office and have indicated that they felt that Virginia people should get Virginia work. I am wondering about this.

Mr. O'MARRA. The selection of architects is a responsibility of the Bureau of Research and Engineering. I would ask Dr. Packer to comment on that if he would.

Mr. PACKER. Mr. Scott, we make it a policy to select an architectural and engineering design firm from the community where the postal facility will be located. The only exception is when the community does not have an adequately qualified firm. We make a very painstaking and careful evaluation of the background, talents, capabilities and kind of people a firm has, and invariably we select the best qualified local firm for the job.

Mr. WILSON. Incidentally, Mr. Scott, Dr. Packer and his group will be with us tomorrow to give us a complete rundown on their procedures.

Mr. SCOTT. I did not mean it in any critical sense at all. I was just asking for information because I have had that question posed to me by a number of people, saying that people living in Virginia did not want the Washington firms, just across the river but still competitors, and they felt Virginia work should go to Virginia firms. I feel sure that happens in all of the States, not just my State.

Mr. WILSON. I can see where there could be some problems between Virginia and Washington firms, because the Washington firms' employees probably reside in Virginia. I can assure you that in working with both Mr. O'Marra's bureau and Dr. Packer's bureau, on the modernization and new facilities program that has been taking place in California, I have witnessed the most careful and proper methods of handling the problems involved. Also, if you have any architects that you want to be included on a list, Dr. Packer's department will be happy to receive them and give any architect consideration who may not previously have done Federal work. They do this in a most fair manner from what I have been able to determine. It is a very fine system and the best man usually gets the job.

Mr. SCOTT. Let me assure Mr. O'Marra I have no intention of recommending any particular person to any particular job. That is certainly the Department's function, but I had had this question posed to me a number of times.

Mr. O'MARRA. Yes, sir.

Mr. Chairman, we have in the record a chart (see p. 19) covering



the development of a postal public building and some explanatory notes. I would like in this area to comment only very briefly at this time if I may.

The development of a new major facility is perhaps the most interesting and dramatic feature of our capital investment program, and we in the Department have been seeking ways to speed up this total process. I know in our dealings with the Members of Congress they often wonder why the process is so lengthy, what is going on, and why it does take so long. We have attempted here in this chart to lay out the chronology and explain step by step the principal milestones in completing a major facility, and also to point out the wide variety of problems we can run into at any key step along the way.

With your permission, I would like to leave this in the record and be responsive today or any other time to any questions that might come up as a result of this statement.

I would like to go to the last area that was mentioned earlier to be covered and that was the area of special problems (see below). Here

## *SPECIAL PROBLEMS...*

- Policy of Lease vs. Federal Construction
- Appropriations Cycle
  - Annual Funding
  - Competition for available funds
  - Length of the budget cycle
- Maintenance Support
- Limitations on Personnel

I can respond to the question you raised, Mr. Chairman, on the shift in policy from Federal to lease construction.

I also believe that the method we will use in acquiring major facilities is one that is going to require some very close attention in the forthcoming fiscal year.

If I can recite a little bit of history, in 1963 studies conducted by the General Accounting Office, the Bureau of the Budget, and the Post Office Department indicated that with respect to larger facilities, particularly those with mechanization, indicated that it was more economical to federally construct the building than to lease them (see p. 21).

The primary reason for the difference in cost between the two alternatives lies in the fact that a leased building, because it is privately owned, pays local real estate taxes. The Post Office Department, through the rent stream, is, of course, paying such taxes, and these taxes are often very substantial. In some cities they run as much as

## THE SPACE PROBLEM MUST BE SOLVED...

### POLICY

- Major Facilities are generally more economical if Federally constructed
- Minor Facilities are generally more economical if lease constructed
- Project specifications dictate lease or Federal alternatives irrespective of size

### OBJECTIVES

- To initiate all projects included in the fiscal year request
- To keep overall project on schedule

### TECHNIQUES

- Use of site account on initial actions
- Fund critical actions from appropriated Postal Public Building resources
- Request additional funding of projects in subsequent years

### EXAMPLES

PROJECT	FUNDING SCHEDULE (\$000's)		
	FY 1968	FY 1969	FY 1970
- Atlanta, Georgia	1,800 (Site)	1,500 (A&E)	35,544 (Construction-1971)
- Tucson, Arizona	192 (A&E)	200 (Site)	5,588 (Construction)

\$1 a square foot. In virtually all cases taxes will add 20 to 30 percent to the ultimate cost of a building when you are looking at the total term of the lease.

In the face of these facts and increased congressional interest, the Department decided in 1966 to change its policy and attempt to construct most of its major facilities as Federal buildings. The General Services Administration cooperated with us to the extent that they delegated to the Post Office Department the authority to construct buildings "primarily for postal purposes." With this delegation of authority, we started on this program in fiscal 1968 by seeking \$55 million in funds for what we call postal public buildings. These are federally owned buildings constructed through the Post Office Department. This Postal Public Buildings appropriation request was cut to \$50 million by the Congress. This cut did not hamper the program substantially because most of the major facilities of Department interest in fiscal 1968, as you will recall from an earlier chart, were leased facilities and had been developed to the point where a lease construction award was ready to be made in fiscal 1968. Rather than start the cycle all over again and delay the buildings to get them under the Federal construction program, these projects continued as lease facilities.

To execute our new policy of Federal construction in fiscal 1969, the Department requested \$88,300,000 from the Congress for Postal Public Buildings. This was subsequently cut to \$50 million.

We have a revolving fund of more than \$30 million which was related to our lease construction program. This money was used to fund site acquisition and design costs, so that when we went out for bids on the lease construction program, every bidder knew the precise site and its costs and had complete and final working drawings produced by the architect against which he could bid. This put all bidders on an equitable basis for bidding, and was the only way we could properly evaluate a bid. Because we have this site fund, the

cut of some 43 percent, or \$38 million, out of our \$88 million request will not seriously affect the program and the corresponding projects in fiscal 1969.

What we are doing in effect in obligating the \$30 million-plus in that site fund to keep our projects on schedule. But once obligated, unless that site fund is reimbursed, we do not have the money to accommodate another significant cut in postal public buildings program. Therefore, while it is a revolving fund, it will not continue to be one unless it is reimbursed. We have, then, the \$50 million in appropriated funds to keep the program on schedule this year, and the \$30 million-plus in the site fund that we are committing. We don't like to have to commit the fund in this way, but we need the facilities and it is the only way we can keep our facilities, project by project, from being delayed another year.

If there is a sharp curtailment of funds in the next fiscal year we will be faced with the situation—since we will have no funding alternative as the site fund is committed—of whether in the absence of capital funds the Department must revert to the leasing program for the construction of major facilities. We recognize that lease construction does cost more in the long run than Federal ownership, but we also recognize that proceeding on a lease basis is cheaper than continuing to operate our existing facilities, which either cannot be mechanized, are in the wrong location for today's transportation mode, or operationally we are split up in three, four, or five separate locations with very high daily shuttle costs between those locations. We are going to be faced with that decision if sufficient capital funds are not available to fund the postal public buildings program. That is policy and problem area No. 1. I think it will be getting some attention in the course of the next year.

The second problem area is our appropriations cycle.

Mr. DANIELS. Before you get into that, Mr. O'Marra, may I ask a question, Mr. Chairman?

Mr. WILSON. Yes, Mr. Daniels.

Mr. DANIELS. On the \$30 million site fund that you just spoke about, with that money you go out and locate a site and if you deem it advisable to acquire it you proceed to do so?

Mr. O'MARRA. Yes, sir.

Mr. DANIELS. And do whatever is necessary to prepare that land for bidders to construct the building. Now, in that event, would the building belong to the Post Office Department or would you enter into a lease with the contractor constructing the project?

Mr. O'MARRA. If it is a lease construction project, one of the obligations of the successful bidder is to buy that site from the Department. The Department, rather than owning it, merely controls it. In that case, it has an option to purchase the site and that option is turned over to the successful bidder. It then becomes his site, as likewise the building on it which we are going to lease is his building.

Mr. DANIELS. In so doing, he reimburses the fund for what it cost the Government to acquire that site?

Mr. O'MARRA. That is true.

Mr. DANIELS. So the money comes back into the fund?

Mr. O'MARRA. Yes, on lease construction.

Mr. DANIELS. What has been your experience with reference to the amount of money expended each year in entering into such acquisitions and in negotiating leases?

Mr. O'MARRA. As far as the adequacy of the funding?

Mr. DANIELS. Yes.

Mr. O'MARRA. The fund has been adequate. We have not had, to my knowledge, any instance where we could not acquire a site, hire an architect, and thereby delay the project. So the site fund has served the Department extremely well. It has been made up each time because the successful bidder reimburses us for the site and reimburses the Department for the architectural fees. These are terms in our specifications that he knows he has to meet.

Mr. DANIELS. Assuming you have \$30 million commencing with fiscal 1969, which began this past July 1, and you entered into lease arrangements, how much would you anticipate spending this year and how long would it take to get that money back into the fund?

Mr. O'MARRA. For leasing arrangements for major facilities, we would need very little because of our policy shift. We show, I believe, in our program for fiscal 1969 one building that we plan to lease that would be a major facility. There are certain circumstances where the only way we can proceed with a major facility is on the lease basis. An example is at an airport where we cannot own the site. The airport authority would not sell us the site but is willing to give the Department a ground lease for a long period of time. We would use that ground lease, then, to go into a lease construction project even though it might be a major facility. We have to be at the airport but we cannot own the property. Instances of this type will continue. We need enough in the site fund to take care of this kind of exception under the new Federal construction policy and to take care of our smaller regional projects where we are talking about very small sites and little or no architectural expenses. This year we have provided enough in the revolving fund so we won't get ourselves caught in a funding predicament. This takes very careful management to make sure that we have funds on hand, from reimbursements, at the time necessary to meet new commitments.

We have one other alternative that helps us. We can often get a 1-year option on a site which permits us to buy at a specified purchase price. The option to exercise purchase in effect gives us control of that site for a year without having to pay out the money for the site. If within that 1-year period we could complete a lease construction project or contract, the Department never has to buy the site because the successful bidder then exercises the option and we did not tie up any Department funds in the transaction. We follow that practice to the maximum extent that we can. We think that what we have done with the site fund in this current fiscal year is proper and that it is going to keep the projects in our program on schedule. What we are concerned with is our ability to restore the \$30 million from appropriated funds in our next request for postal public buildings. The point is, unless we do so restore the revolving fund, these amounts are not then available for anything else in future years. These funds have been committed to

certain projects and will remain committed unless they are restored. We think it is important to restore the funds. We think it is also important to fund our total postal public buildings program. I demonstrated earlier the savings to the Department as a result of the new mechanized facilities. I also mentioned previously our increasing mail volume. I think the Bureau of Research and Engineering is going to mention that also. We have a bigger job facing us in the future. And we did not do the job in the capital area we should have done in the past.

We are not even where we should be to adequately do the job by today's standards, much less prepared for the future. When you are talking about capital investment, I would much rather be sitting here describing programs to you which show how we are equipping ourselves to handle what the public expects of the Post Office Department 10 years from now. What I am really doing is telling you we are not equipped to do the job for the public that we should be doing today.

We are trying to find ways to do a good job of improving service, but we don't have the facilities. Our employees are not the beneficiaries of the kind of working conditions they are entitled to today. When I say "entitled to" I am talking about conditions comparable to what you would find in other industry. We just don't have them.

Due to shifts, for example, in our transportation requirements, our facilities are in locations today that are the wrong locations. To be next door to the railroad terminal used to be the best location for the Post Office, or even sitting right over the tracks. That is not true today. So we are incurring considerable expense, that is, the American public is incurring significant expense, in moving mail from where our Post Office is today to where the transportation is.

It makes sense, and there are savings as well, in getting the facilities where they should be, modernizing them and mechanizing them at the same time. This is the kind of program we foresee, but it is going to take dollars at a time when I know capital dollars are scarce. For example, in the next item on the chart, the competition for capital funds, we recognize that in our system the Bureau of the Budget as well as the Congress has to weigh our capital requirements against the capital requirements of other agencies and other programs. Frequently we do not get what we require. But this does not lessen the needs of the Post Office Department.

We still have a volume of mail to handle and we continue to see increasing volumes in the future. So our job still has to be done whether or not capital funds are made available. This again immediately raises the question of not getting the capital funds. And changing the policy back to lease construction for major facilities; in the long run, this is still cheaper than doing nothing, which is what you are faced with without capital funds. We also have annual funding problems on certain of our funds, particularly in the fixed mechanization area, as shown on the chart (see p. 25). This fixed mechanization is going into buildings, as well as other nonfixed mechanization. The building funds are no-year money. The plant and equipment money that covers the mechanization is annual money. We do run into scheduling problems. If we cannot make a construction award in the intended fiscal

## *A TWO-YEAR PROGRAM IN FIXED MECHANIZATION ASSURES OBLIGATION OF FUNDS...*

### OBJECTIVES

- To determine the most effective and economical decision on basis of need and resources
- To maintain progress in support of the modernization program

### TECHNIQUES

- Rank addition and alteration projects by priority
- Establish plans which exceed financial resources
- Budget new systems procurement with construction

### EXAMPLES

	FY 1968 (\$000's)	FY 1969 (\$000's)
- Budget request	52,215	49,155
- Mechanization requirements	53,605	53,155

year and it slips into the following fiscal year, the Department loses the mechanization money because it is annual money. So that is one other problem in the appropriations area.

A second one, as I mentioned earlier, is the competition for available funds. It is very understandable. Someone has to assign priorities and make choices, but we are in a period in the Department's history where we haven't accomplished the capital investment job in the past and more is required of us in the future. We do, therefore, require a large amount of funds on a current basis.

A third problem is the length of the budget cycle. Over this 18-month period we try to make long-term plans and often needs arise, after the cycle has started, that were not anticipated at the time the budget was put together. As an example, the Department for several years has spent approximately \$40 to \$42 million for Federal building improvements. Our plant and equipment appropriations were reduced this year from \$225 to \$200 million. It was determined to take the reduction of \$25 million out of the \$42 million we had scheduled for Federal building improvements. This left us with \$17 million for this purpose. We do have a sizable backlog of Federal building improvement projects that need attention, but between the time we prepared the budget in the summer of 1967, and the receipt of funds this past July, three new needs for Federal building improvement money had developed.

The first of these new needs was promoted by acceleration in the shift from movement of mail by rail storage cars to piggyback by rail, which meant that many of our existing facilities had inadequate platform and dock space, parking and maneuvering areas. They did have railroad sidings but those cars weren't coming in any longer. The piggyback mail handled by rail was being delivered by trailer truck. So we faced in a short period of time a serious need for funds for

modification of our buildings to extend platform, loading areas, parking and maneuvering areas, needs which at the time the budget was compiled were not quite in the picture, or fully anticipated. The second need was dramatically called to our attention as a result of the fire in Morgan Station in New York in December. This was the need to improve our fire protection equipment and facilities. Until the Morgan Station fire the Department's record had been extremely good in this area. As a result of this incident, the Bureau of Research and Engineering is developing plans to improve fire protection. This called for more Federal building improvement money than had been provided. Finally, a third need involved the conversion in the type of delivery vehicle from the three-wheel mailster to four-wheel vehicles. This development again forced a review of existing platform, parking, and maneuvering space because of the larger size vehicle involved.

These are three examples of change in the postal service that required modernization funds and whose precise definition and need arose subsequent to the original budget presentation.

With once yearly funding it isn't always possible to ideally match approved resources; that is, approved funds, with your highest priority needs.

One last point in the problem area. I hope in talking about capital equipment and dollars I have not neglected to emphasize the fact that our human resources are most important to all—those of us in the Bureau of Facilities, the other Bureaus at Headquarters, and in the regional offices—who are engaged in the capital investment program. Maintenance support is an example of the need for personnel which are dramatically with the new buildings and new types of equipment coming into the postal service. The Department has to meet this maintenance need because nothing is quite as useless as inoperable equipment.

Likewise, with the shift in policy from lease to Federal construction, we have not correspondingly augmented our Realty Division personnel complement. This one small but significant shift places an entire new order of magnitude on the headquarters staff because our operations with Federal construction are much more detailed and regulated and there is much more reporting required than under the prior lease construction program.

Mr. WILSON. Mr. O'Marra, under what conditions, if any, would you lease a major facility while you were still operating under this current policy? Are there any situations where you might have to do this?

Mr. O'MARRA. Where we could not own the land that we want—and I cited an airport example—where we can make a very favorable land purchase on the condition that we put up a building that will be leased and where the economics, as a result of the land purchase, dictate that this makes sense for the Post Office Department and the Government because we are saving more in the cost of the land than what the taxes will amount to over the period of time. Mr. Coffman, can you think of any others?

Mr. COFFMAN. The other big category is the one we have mentioned, the situation that arises when you cannot fund public buildings. Then you have to seriously consider whether you should do without or whether you should go for the more expensive lease facility.

In response to what Congressman Daniels had asked, after we acquire a site and hire an architect with revolving account funds, then we would have a choice as to whether to go with the leasing project. This alternative we know would certainly reimburse the fund, because we are going into the private sector and the funds are there or they cannot bid. Their bid is even bonded for that purpose. Or, we have the choice of going into the public building program, a course of action which we have decided to do in large measure, as pointed out by Mr. O'Marra.

Then we would use the appropriated funds to reimburse the revolving fund. But if you do not get the appropriated funds, then the revolving fund is depleted and cannot be used further and your projects stop.

If we are sharply curtailed in funds for buildings in fiscal 1970, having used up the flexibility offered to us by the revolving fund in having purchased sites and employed architects with those funds, we are then unable to reimburse it and we are stopped. We would then have to consider using the lease program much more so than we have. We would have to consider reverting substantially to this approach. We are not attempting to say here and now that we have made any decision, but that is one of the very important problem areas.

Mr. DANIELS. Do you think \$30 million is an adequate sum of money to have in that revolving fund or should it be increased?

Mr. COFFMAN. If we can get good appropriations, Congressman Daniels, it should be adequate. On the other hand, if we continue to have problems, the increase in that fund offers increased flexibility to us and is helpful. We did increase it some last year, about \$2 million, by utilizing excess funds available in our building occupancy account.

Mr. DANIELS. Is there any limitation imposed by law on the amount that shall be held in that fund?

Mr. COFFMAN. I know of none.

Mr. O'MARRA. I was mentioning our personnel resources to execute the program we have today and the program of the future. Our Bureau of Research and Engineering is growing. It is at an early stage in development. As they grow, we need to implement the fruits of their work. We need to get their ideas and models translated into hardware on a large scale for the Department's use.

So if we are going to adequately take advantage of the output of the Bureau of Research and Engineering, we need to be equipped with personnel to do just that.

At the moment, in the face of this large-scale program, we are faced with the necessity to reduce our personnel complements at headquarters and in our regional offices, as a result of the personnel limitation that accompanied the tax increase bill.

I am saying here that this does not help us carry out the Post Office's modernization program because the kind of people I have been talking about you find in headquarters and in the regions. Congress wisely exempted our field forces from this personnel limitation in the interest of providing mail service. That was necessary. The failure to exempt management in the Post Office Department in the areas I am talking about does make it difficult to carry out a large-scale postal modernization program. We are still going to do the best we can to carry it out.

Mr. WILSON. I couldn't understand, at the time we were holding hearings and considering the bill that exempted the Postal Department from the manpower cutbacks, why we didn't include the entire Postal Department. We removed from the exemption the regional offices and the headquarters here in Washington.

While attending the national convention for the National Association of Letter Carriers, I listened to the distinguished Senator from Texas, Mr. Yarborough, and gathered from his comments that he personally got that bill through and was responsible for it. But I couldn't understand, with all of the work he did in getting that bill through personally, why he exempted the regional offices and the headquarters here in Washington. I admonished him a little bit when I made my remarks, for taking personal credit for the bill because, as I reminded the letter carriers, there are two committees, one in the Senate and one in the House, and each did a major job in trying to accomplish our goal of exempting the Post Office Department. And, then I told them that the House version of the bill exempted the entire Postal Department. I don't know what the reasons were for not including this, unless someone was mad at someone in some region in Texas.

Mr. O'MARRA. I don't know, sir. We are going to need, as I hope I have demonstrated, people to execute these programs and while we have experienced funding limitations, we hope these will be surmounted. We also need the personnel limitation surmounted because we would want to continue to program, manage, and utilize effectively the funds that Congress has appropriated and directed us to use. This is going to take some execution on our part. We need the resources to so execute them.

Mr. WILSON. As a result of my remarks, I assume that I had better not, in the near future, sponsor any bills that come before the Senate committee.

Mr. O'MARRA. Sir, that concludes my testimony. I have tried to show you the scope and magnitude of our program, to tell you how we are carrying it out and to highlight some of the problem areas as we see them. I do want to say again we appreciate the concern of this committee in this area which we think is a most vital area for the Post Office Department, now and for the future.

Mr. WILSON. Mr. O'Marra, how many congressional committees do you have to deal with in getting authorization and appropriation of funds at the present time?

Mr. O'MARRA. On our postal public buildings we deal with the Public Works Committees in the House and the Senate. We need to get our prospectuses for these buildings approved by those committees before any funds can be appropriated for any of these projects.

We deal with those committees through GSA because GSA has the public buildings program authority and we are operating under a delegation from GSA in this area. We do testify before those committees and answer questions about our individual projects.

Of course, we deal with the appropriation subcommittees in the House and the Senate, and the legislation subcommittees. We occasionally are called before the Government Operations Committee.

Mr. WILSON. Of course, I recognize the Public Works Committee has had this responsibility through the years and it is one of their delegated authorities. I think it is unfortunate, however, that this

committee, which handles the legislative matters with the Post Office Department has not had a stronger voice in the building program.

It seems to me that it only makes good sense that since our committee deals with the Department in all other matters we certainly are closer and more knowledgeable of the facilities and modernization programs than any other committee in the Congress.

I don't know that any changes can be made; in fact I would doubt it.

I want to commend you, Mr. O'Marra, for this fine statement. It certainly has brought us up to date with respect to the problems you are facing and with the excellent work that has been done by your Bureau in preparing for the needs of the Post Office Department.

I recognize, just as all other Members do I am sure, that the biggest problem you face is trying to maintain a schedule. You talked about planning a facility, from the time you start it until the time you are ready to use the facility, over a 4-year period. Now, you cannot plan properly under the present system where the Appropriations Committee has to deny you funds—not because they don't want to give them to you but because of world conditions or other matters—which interferes with your desire to proceed in a businesslike manner.

I am introducing a bill today which, unfortunately we will not be able to have hearings on by the end of this year. But, I am introducing it anyway for the sole purpose of allowing the Post Office Department to study it, and for other Members to study it to see if it may not be a partial solution to the funding problems you face. I think Dr. Packer's bureau is entitled to many more times the amount of money that they are able to get each year.

You came out of private industry, Mr. O'Marra, and you know what Western Electric, the Bell System, budgets each year for research and engineering in order to try to keep pace with the growing needs that they have in business. Business would be completely unable to keep pace with their needs if they had to use the funds that we make available to a business such as the Post Office Department. I doubt very much whether the Kappel Commission report will be adopted by Congress in its entirety. Congress is not willing to give up something that they control, and there are good reasons why they probably should not.

There are parts of the report, however, that merit serious consideration. One of these parts I have included in the legislation I will introduce.

My bill would create a new authority that would raise and supply capital funds to the Post Office Department for the purpose of financing its capital building program. The administrator would be the Postmaster General who would hold all powers and duties and functions of the authority which would be exercised by the authority. The administrator would appoint an executive director for a term of 5 years who would serve at the pleasure of the administrator. This authority will raise capital funds by floating bonds in the same manner as the method used by the TVA. These funds would be given to the Post Office for Post Office Department needs for building and modernization of new facilities. The Post Office Department would still administer the building program. This is the main difference between my bill and the recommendation of the Kappel Commission. I think it is a compromise that Congress might give serious consideration to and one that would certainly, if we were able to adopt it, solve the

problems that you people have in trying to adopt a program and then be able to proceed with it in an orderly fashion.

As I say, we cannot hold hearings on this, this year, but it will give us something to talk about and think about. In the event I am back here in January I will reintroduce it for serious consideration in the 91st Congress.

In the meantime, we would appreciate any suggestions or recommendations that the Department may have in connection with this legislation.

Are there any questions by members of the subcommittee?

Mr. DANIELS. Mr. Chairman, first I would like to apologize to the Assistant Postmaster General O'Marra and Mr. Coffman for being late for this hearing this morning, but I want to assure you that it was not due to a lack of interest. It was due to the fact that I had an executive session of the Subcommittee on Retirement, Insurance, and Health Benefits, and we reported out another bill this morning.

So I am pleased to have heard part of your testimony.

Mr. O'Marra, perhaps you can answer this question: How many post offices and post office facilities do you have in the United States, spread throughout the whole length and breadth of the 50 States that you deem obsolete, substandard, and should be replaced with modern up-to-date buildings as well as equipment?

Mr. O'MARRA. I do not have it in number of facilities, Congressman Daniels, but the Bureau of Operations has determined that of our existing 140 million square feet of space, 45 million square feet is obsolete.

Mr. DANIELS. That is approximately one-third.

Mr. O'MARRA. I would suspect that that one-third is in the larger and older Federal buildings, so it wouldn't be one-third of the space obsolete in terms of number of facilities. Our space is concentrated. Of our 140 million square feet of space, 58 percent of it is in our 27,000 leased facilities and 42 percent of it is in our 3,000 Federal buildings. As the Federal buildings represent the larger buildings, I would suspect that the bulk of the 45 million square feet of obsolete space is in that type of building. It might involve only, for example, 5 percent of the number of our facilities, although it is one-third of our space.

Mr. DANIELS. What would you estimate it would cost to modernize those 45 million square feet?

Mr. O'MARRA. To replace that 45 million square feet we probably would spend \$30 per square foot, so we are talking about \$1,350 million for buildings. We would then have to equip that space. I would say that we are not talking about quite as much in the way of equipment in terms of dollars, but I think you are looking at something in the order of \$2 to \$2.5 billion.

Mr. DANIELS. How much was appropriated last year for construction purposes?

Mr. O'MARRA. \$50 million for postal public buildings, which is Federal construction, and of course rent to cover some lease construction in minor facilities.

Mr. DANIELS. You are talking about this \$50 million?

Mr. O'MARRA. For Federal construction.

Mr. DANIELS. Has the Post Office Department done much construction work in the past 10 years?

Mr. O'MARRA. In the lease program—

Mr. DANIELS. I am not talking about the lease program but the actual construction of post offices.

Mr. O'MARRA. No, sir. Our construction work, as distinguished from GSA, really began with fiscal year 1968, the first year we had authority to construct our own space.

Mr. DANIELS. That was the year 1968?

Mr. O'MARRA. 1968; yes.

Mr. DANIELS. What do you have on the drawing boards today in the area of construction?

Mr. O'MARRA. In the area of construction we have approval for three awards which we can make this year. We should make awards next year as these will be ready and will require some significant construction dollars. I mentioned this year we can only make three awards out of the \$50 million appropriated funds. Then, of course, we lack site and design money on some additional projects, as well.

Mr. WILSON. Mr. Daniels, chart No. 5 in the report which Mr. O'Marra presented gives the construction space modernization needs by year.

Mr. DANIELS. I won't consume much more time. I will take the opportunity to read and study your report. If there are any questions that come to mind I shall get in touch with you.

Mr. O'MARRA. Yes, sir.

Mr. DANIELS. Thank you very much.

Mr. WILSON. Mr. Scott?

Mr. SCOTT. I would compliment the Chair again for calling this meeting, and compliment the gentlemen for being here. I think, however, we have just sort of scratched the surface. I would urge the chairman, if it appears practical to him, to have similar meetings about twice a year, or something like this, because if the Congress is going to exercise any legislative oversight of the Post Office Department I feel we need to get together about twice a year. A formal statement is fine, but I think we need this exchange between members of the subcommittee and people in control in the executive branch.

Thank you again, gentlemen, for being here.

Mr. O'MARRA. Thank you.

Mr. WILSON. I certainly appreciate that comment, Mr. Scott. I agree, too, that we should have as close a liaison as possible with the Bureau of Facilities and the Bureau of Research and Engineering, and that we should know what their plans are because this makes it easier for us to intelligently comment about post office matters on the floor when problems come up and when we are talking about appropriation matters.

I think that it is extremely valuable for all of us to have this type of information and the opportunity to ask questions about it, to proceed as we have done today. It might be helpful to you gentlemen, also.

Thank you very much.

Dr. Packer, would it be better for you to start your part of this tomorrow? We only have about 15 minutes left. Will that fit into your schedule?

Mr. PACKER. We have about 40 minutes of presentation prepared. We can go on now, if you wish, or tomorrow morning.

Mr. WILSON. Why don't we do it tomorrow morning, because I think the continuity of it is important and I know it is going to be an extremely valuable contribution to the hearings. I hope, Mr. Scott and Mr. Daniels, it will be possible for you and other members of the committee to be with us tomorrow because when we hear from Dr. Packer we get right down to the original planning and the scientific approach to the problems of the Post Office Department.

We look forward to your contribution tomorrow, Dr. Packer.

Are there any other questions or comments that anyone has to make? If not, the subcommittee will adjourn, to resume tomorrow.

(Whereupon, at 11:43 a.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, September 26, 1968.)

## TECHNOLOGY OF POSTAL MODERNIZATION

---

THURSDAY, SEPTEMBER 26, 1968

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

The subcommittee met, pursuant to recess, at 10:08 a.m., in room 210, Cannon House Office Building, Hon. Charles H. Wilson (chairman of the subcommittee) presiding.

Mr. WILSON. The meeting will come to order.

I want to thank you, Dr. Packer, and the representatives from your Bureau who are with you today to present the testimony. I would also like to thank Mr. O'Marra for the fine presentation he made yesterday and the contribution that was made to our hearings.

It is my understanding, Dr. Packer, that you will probably devote some of your testimony this morning to supplementing what Mr. O'Marra had to say. Then we also would like to have you get into some of your R. & D. work, if you could, and give us some information about the programs you are working on and the hopes that you have for the R. & D. and scientific mechanization of our postal facilities.

If you will introduce the people who are with you and then proceed in your own fashion.

**STATEMENT OF LEO S. PACKER, ASSISTANT POSTMASTER GENERAL, BUREAU OF RESEARCH AND ENGINEERING, ACCOMPANIED BY PAUL G. HENDRICKSON, DIRECTOR OF OPERATIONS; PETER C. HYZER, DIRECTOR OF CONSTRUCTION ENGINEERING; RICHARD W. HARRIS, INDUSTRIAL ENGINEER; ALVIN P. HANES, CHIEF, INDUSTRIAL ENGINEERING; AND JAMES L. COLE, DEPUTY DIRECTOR, RESEARCH AND DEVELOPMENT**

Mr. PACKER. Thank you, Mr. Chairman.

I am very pleased to introduce my associates from the Bureau of Research and Engineering. On my right, Mr. Paul G. Hendrickson, who is Director of Operations. He is responsible for administration, management, and program control in the entire Bureau. He has a varied management background in private industry. He is doing an absolutely indispensable job in making this Bureau a businesslike operation.

Mr. Hyzer, on my left, is Director of Construction Engineering. Mr. Hyzer is a graduate of the U.S. Military Academy, has a master's degree in civil engineering from MIT, and is a retired general officer

in the Army Corps of Engineers where he was responsible for some of the largest and most complex construction programs in the country. We are very fortunate to have a man of such caliber responsible for a vital part of our Bureau.

Mr. Hanes is Director of Industrial Engineering. He has a long career in varied engineering activities, graduate studies in civil and industrial engineering. He is building our industrial engineering capabilities with great energy and great enthusiasm.

Mr. Cole, second on my left, is Deputy Director of Research and Development. I am sorry that Dr. Reilley, Director of Research and Development, is not able to be here today. He had a surgical operation last week and is now recuperating.

Mr. Cole is a graduate engineer and has a distinguished career in management and organization of technical activities in the military sector. He will very ably represent our R. & D. activities.

Mr. Harris is a graduate industrial engineer who works for General Hyzer in the management and control of our several hundred construction engineering projects. He will make the principal presentation in the construction engineering area.

What we would like to do this morning, Mr. Chairman, is to give you an overview of our work in very general terms.

Now, it is quite obvious that with research and development being responsible for some 350 projects and 200 industry contracts, we cannot give you a project-by-project review. Industrial engineering, which is a small but growing organization, is responsible for 50 projects. Construction engineering under Mr. Hyzer has some 500 individual projects of various sizes and degrees of complexity.

So we will not attempt to delve deeply into any specifics, but try to provide for you a review of what we think is important and significant and of interest to this committee. We also are aware that we testified before this committee on May 23, 1967, and had the privilege of presenting at that time our plans and our programs, ongoing and for the future.

I think we have considerable additional progress to report at this time. I would like to proceed with the presentation, emphasizing first construction engineering, in order to provide continuity with Mr. O'Marra's presentation yesterday.

So we will spend the first half, approximately, of our presentation in the area of engineering support for the major facilities program which is the responsibility of the Bureau of Facilities under Mr. O'Marra.

I will return after this presentation to talk at further length about our research and development and our industrial engineering activities.

Now, with your permission, we will proceed with Mr. Harris.

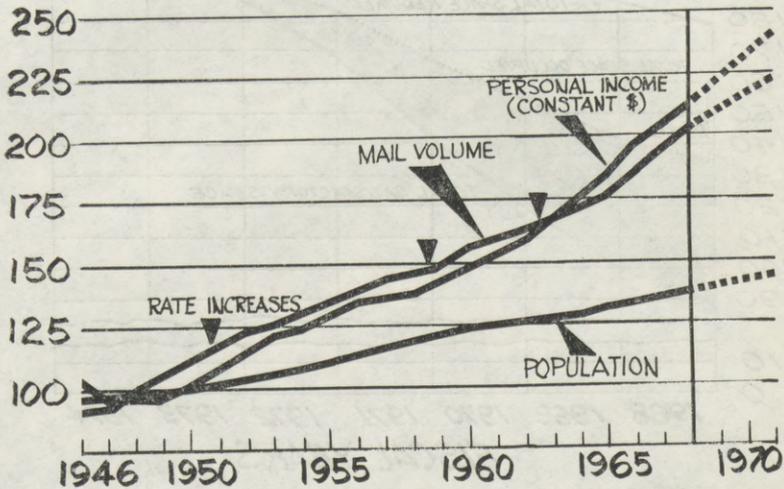
Mr. HARRIS. Mr. Chairman, this portion of the presentation is what the Bureau of Research and Engineering does to support the postal modernization program. It is an explanation of how the program is derived and here are some charts which illustrate what the scope of the program is and how it will be implemented.

The program starts by defining the mail volume, which is a result of personal income and population growth.

Here you can see where we are today and how the mail volume has grown and is projected to continue to grow.

# MAIL VOLUME, PERSONAL INCOME, POPULATION CY 1946-1971

INDEX (AVG. 1946-50 = 100)



From the mail volume projections we are able to develop our space requirements, mechanization requirements, personnel requirements, both at headquarters in the planning area and in the field as far as manning the post offices is concerned, and the funding that is required to support the program.

The space requirements are derived from the Bureau of Operations. They establish the plan, provide it to us, and we in turn are responsible for costing the facilities and for the mechanization in support of the program.

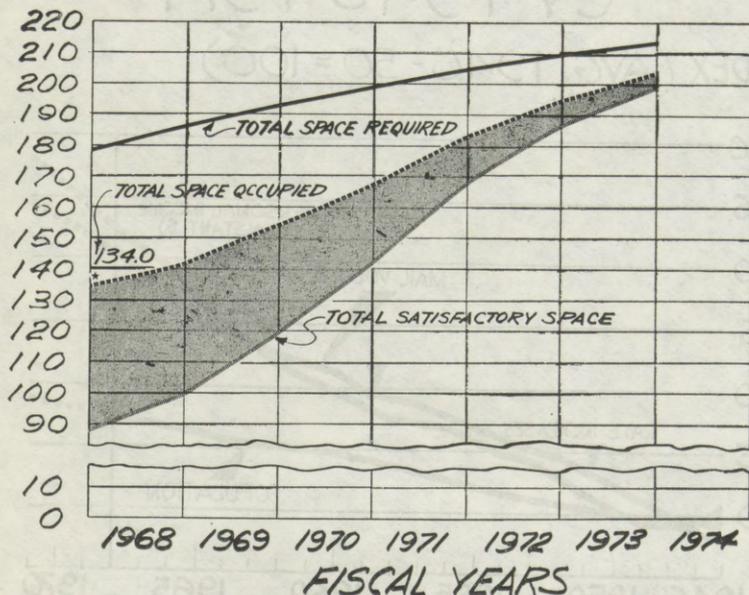
Then all other bureaus will be responsible for developing the personnel and funding requirements.

From the mail projections, the Bureau of Operations establishes a 5-year space program. What I would like to try to explain here is approximately where we are today; where we have approximately 100 million square feet of space that is adequate. This is the area which Mr. O'Marra discussed yesterday where we have inadequate space and here is our deficit in space at the present time.

# PROPOSED FIVE-YEAR SPACE PROGRAM

(SPACE AT BEGINNING OF EACH FISCAL YEAR)

SQ. FT.  
(MILLIONS)



■ UNSATISFACTORY SPACE

In other words, we have almost a double program. One program is to try to make up the space which we do not have now to operate satisfactorily; to make up the space or to replace the space which is unsatisfactory and then to maintain an ongoing program which will satisfy the increase in mail volumes.

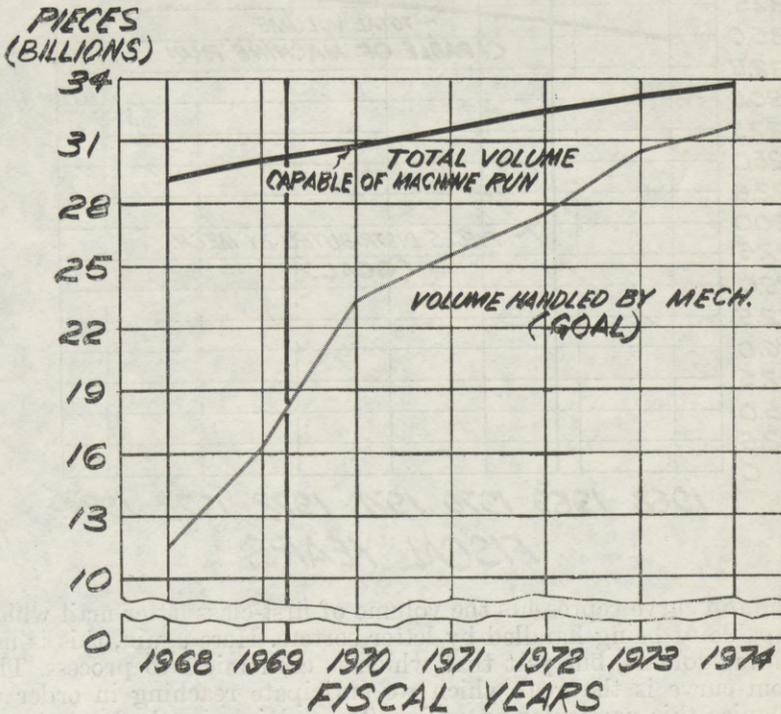
Now, in addition to the new space required to satisfy the increase in mail volumes, we will also be experiencing between 6 and 10 percent obsolescence each year. In other words, facilities—because of increased mail volumes—will have to be replaced. So it is almost a double program that we are working on at this time.

As far as the scope is concerned, in order to get on top of the program we have approximately \$300 million required during the next 5 years in the area of fixed mechanization equipment. Fixed mechanized equipment is that equipment which is installed in a post office which is custom designed and satisfies a particular requirement.

This \$300 million is divided into two segments, approximately \$200 million required for new equipment, new systems, and approximately \$100 million required to modify or to alter the systems which we currently have in operation required by the changing mail volumes and the changing mix in the mail.

There will be approximately \$55 million required during the next 5 years for nonfixed mechanized equipment. Nonfixed equipment is equipment which can be moved within a facility or between facilities. This is noncustomized, it is standardized and can be used for the same end product in any facility.

## VOLUME OF LETTER SIZE MAIL HANDLED BY MECHANIZATION MAIL PREPARATION MACHINES FACE AND CANCEL

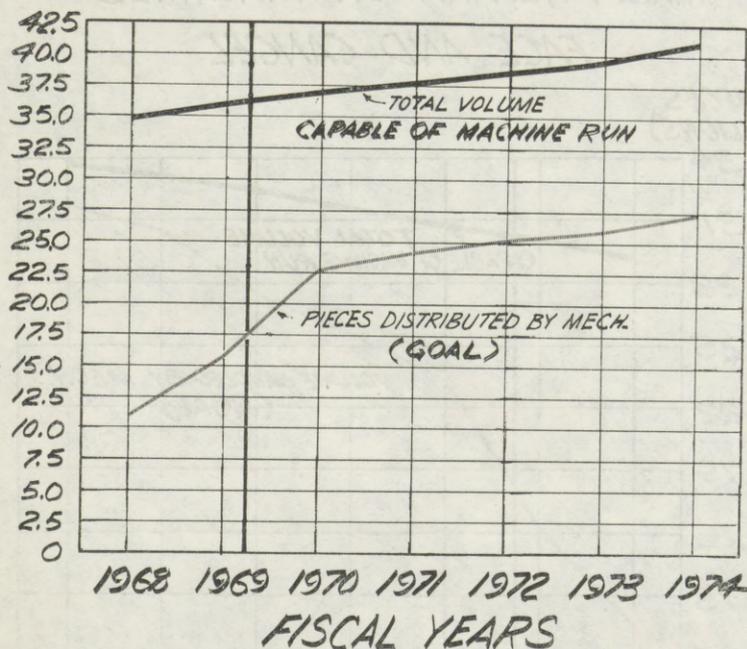


To give you some kind of an understanding of the scope of the program, this top curve defines the total volume of mail which is capable of being machine run in the mail preparation area. These projections

being developed by the Bureau of Operations do not represent the total volume of mail but just that which is capable of being machine run. Here we show what the program is and what our goals are for satisfying the problem of trying to mechanize the preparation of letter-sized mail.

## VOLUME OF FIRST CLASS LETTER SIZE MAIL HANDLED BY MECHANIZATION MAIL DISTRIBUTION MACHINES-LETTER SORTERS

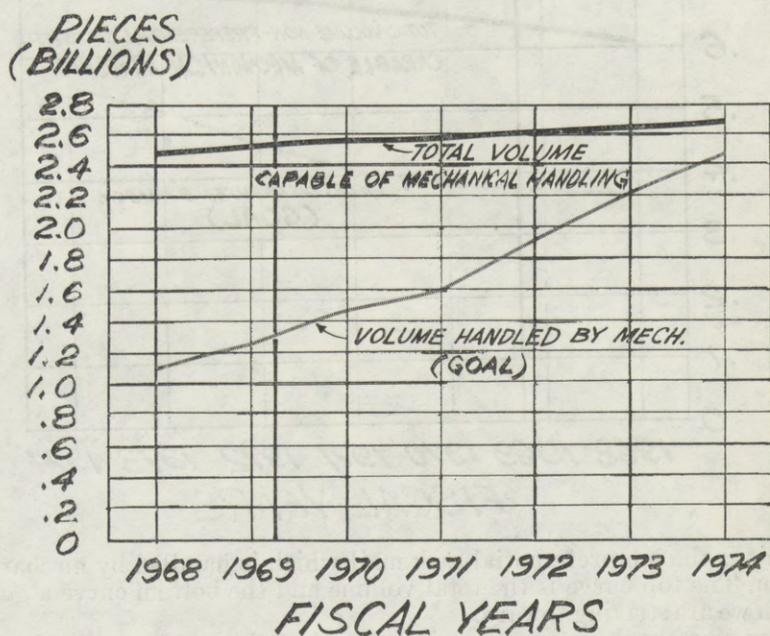
PIECES  
(BILLIONS)



The top curve represents the volume of first-class letter mail which is capable of being handled by letter sorters. Here again, this is not the total volume, but just that which is economical to process. The bottom curve is the goal which we anticipate reaching in order to mechanize this particular operation. To explain why the lower curve

does not ever reach the top curve, there are certain times during the day when letter sorters, because of their capacities, are not used to process low volumes of mail, although we might have them available within the facility. This again represents the volume to be machine handled.

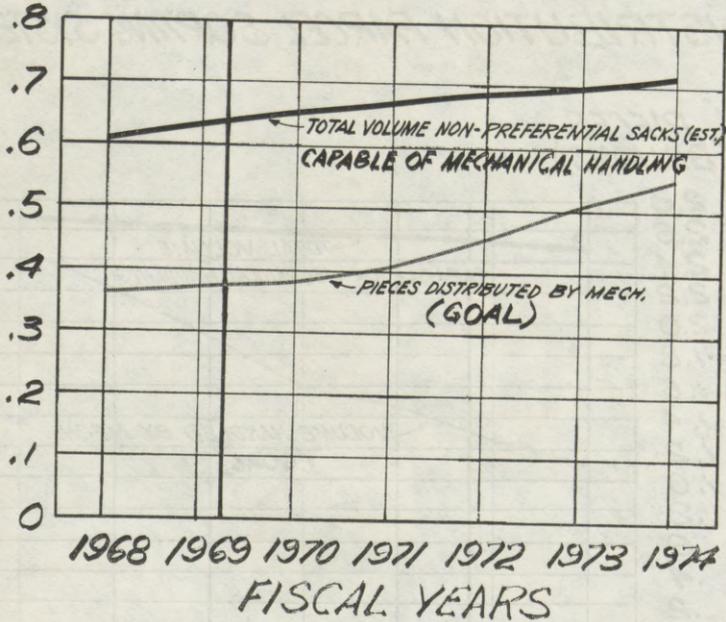
## VOLUME OF PARCEL POST HANDLED BY MECHANIZATION DISTRIBUTION PARCEL SORTING SYSTEMS



Here we have an example of what we are going to do in the area of parcel post mechanization where we are having parcel post sorting systems installed. The top curve represents the total volume as projected during the next 5 years, capable of being machine handled, the bottom curve being the goal of the program that we are currently planning to satisfy.

# VOLUME OF NON-PREFERENTIAL SACK MAIL HANDLED BY MECHANIZATION DISTRIBUTION SACK SORTING SYSTEMS

PIECES  
(BILLIONS)



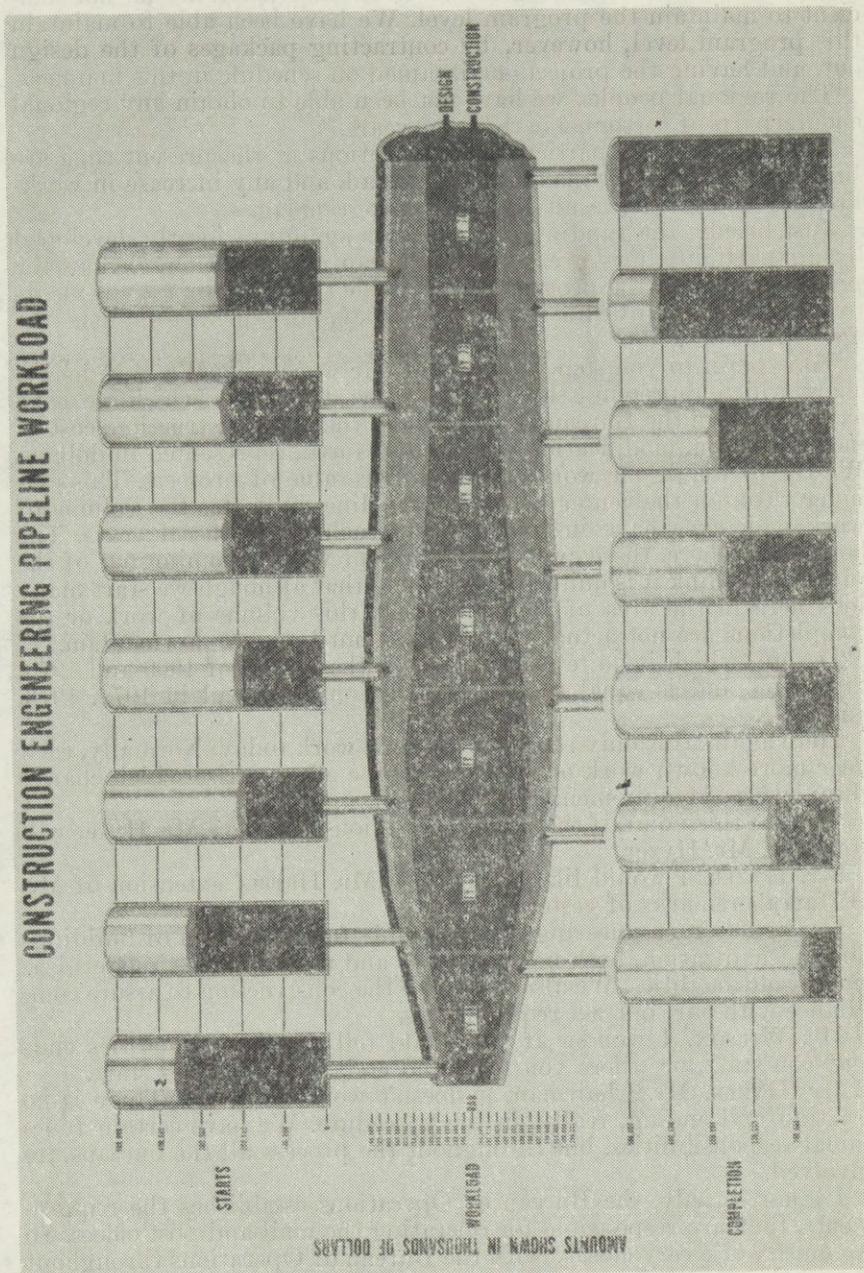
This is the nonpreferential sack mail which is handled by mechanization. The top curve is the total volume and the bottom curve a goal which we are striving toward.

Now, personnel requirements in support of this program are developed by each participating bureau, and the people who are involved in this are the Bureau of Operations, Bureau of Transportation, Bureau of Facilities, Bureau of Research and Engineering, and the regional counterparts of these organizations.

Manpower availability in any one of these five organizations establishes the rate of project development. This further explains, I believe, what some of your points were yesterday on the manpower problem in the various organizations.

As an example, the Bureau of Operations has not received any additional personnel in their planning organization in the last 3 years. The Bureau of Transportation has not increased their personnel level in the area of planning project development in the last 3 years. It is my understanding that the Bureau of Facilities has only increased

# CONSTRUCTION ENGINEERING PIPELINE WORKLOAD



their personnel to provide since 1961 in the planning area. The only reason that they have been able to continue to satisfy the requirements of the program is because of the heavy use of their regional personnel. The reason for this is that during the period some personnel in the regional area were able to provide the necessary personnel to the program.

their personnel 15 percent since 1961 in the planning area. The only reason that they have been able to continue to satisfy the requirements of the program is because of the heavy use of their regional personnel.

Research and Engineering has received some positions but not sufficient to maintain the program level. We have been able to maintain this program level, however, by contracting packages of the design out, and having the projects maintained on schedule in this manner.

The regional people; we have not been able to obtain any regional counterparts of personnel in the last 2 years.

Now, all of these particular organizations at the present time are just about up to their maximum workload, and any increase in workload is going to start resulting in some program lag.

Just briefly, the funding requirements again are jointly developed by all participating bureaus. The Bureau of Operations defines the program, we cost the program, we provide the program cost elements to the Bureau of Facilities and they, in turn, establish the appropriations.

To explain to you something about our workload: We have here a chart which represents three things; one, the starts which we have experienced in the Bureau. This includes the new construction, cost of mechanization, modification jobs, and so forth, represented in dollars. We try to weigh our workload by dollar value of projects. This cylinder through the center here, this pipeline, indicates the volume of work which we have in-house during each of the fiscal years. The bottom line here, these cylinders, represent what is coming out of the pipeline. I think it is quite apparent here that although we start many jobs here in the area of 1968 and 1969, this volume of work or the completions are not actually recognized until we get downstream.

Design, which is quite heavy through the period of 1969 and 1970, tapers off and is equal to the construction workload in 1972, 1973, and 1974.

Here again, this only represents known work today. Normally, each year more known work or emergency type efforts arise which change these levels of requirements for personnel.

Now, at this point, if there are no questions, I believe Mr. Hyzer will continue. Mr. Hyzer.

Mr. HYZER. I would like to carry on Mr. Harris' extension of Mr. O'Marra's remarks of yesterday.

Construction engineering is responsible for the design of buildings and mechanization, both new facilities and modifications, modernization of old facilities. We also supervise the construction to assure compliance with our contract requirements.

Mr. WILSON. I wonder if you could tell us where Facilities ends and you start, or where you start and end, and Facilities start.

Mr. HYZER. Mr. Chairman, it doesn't work that way. There is no starting and ending, really, in the procedure. We have certain functional responsibilities, but throughout the process all the bureaus are involved.

I guess, briefly, the Bureau of Operations establishes the requirements, they are responsible for operating the mail and post offices. So we must work very closely with the Bureau of Operations throughout the whole procedure.

The Bureau of Transportation moves the mail between post offices, so they are very interested in our dock facilities, truck terminals, location of facilities for transportation networks, and so forth. Mr. O'Marra is Chairman of the Major Facilities Review Committee that coordinates and funds the whole program. They handle the real estate activity, procure the sites. The Procurement Division procures contracts for mechanization. The Realty Division is the contracting agency on our architect-engineer design contracts and construction contracts, whether they be on a leased facility or postal public building.

The Maintenance Division, of course, is interested because they maintain the facilities after they are in operation.

Now, various other bureaus are also involved to a lesser degree; but the coordination responsibility is in the Bureau of Research and Engineering-Construction Engineering, in that we work with the other bureaus during the planning and development phase. We have the technical responsibility for the design—working with the other bureaus on both buildings and mechanization—and then during the construction phase we monitor the contractors or the lessor to assure we get what we ask for.

I think that covers, in a nutshell, the interchange or coordination.

Mr. WILSON. You were going to proceed on something else.

Mr. HYZER. I just covered our responsibilities.

Now we are looking toward the future. We have a tremendous program but we must somehow build, install better machines in better buildings, quicker and at less cost. Our goals for the future are really to do this to the best of our ability, and we are doing it in four areas. In design we are doing it by better management internally and better coordination with the other bureaus, principally through Mr. O'Marra's Major Facilities Review Committee. We are using computers to a much greater extent, particularly in our design of process machinery systems. We are using models as an engineering tool and also as a training device. We are making greater use of architect-engineer firms in the design of buildings, and now in the mechanization area, of process machinery.

Dr. Packer has been prodding us toward greater professionalism in our design, to consider the total environment, the esthetics, the working conditions and to provide flexibility, so that we can change as new requirements are established.

In the construction field we have a problem, particularly in coordination of the building construction and mechanization installation under separate contracts. We hope to combine these contracts at least on a trial basis. We are using the critical path method as a means of control. We have an Installation Liaison Division which works with the local postmaster and his operating and maintenance people to provide a better transition between the manual handling in the old post office and the mechanization of the new post office.

In the technology area we are working in four areas. I have a new Assistant Director for Construction Technology. We have a small Research Division that has been working for almost 2 years now building up a program not on basic research, which is accomplished in research and development, but trying to handle our day-to-day con-

struction problems; better materials, better procedures, better construction methods.

We have a Standards Division which is standardizing on the good things which we have accomplished so we have less and less custom design for each post office.

We have a small value engineering group which is just getting started trying to apply the procedures developed in industry and the Department of Defense, to make things more functional and at less cost.

Finally, we have an evaluation group which goes into post offices about a year after occupancy to find out what our mistakes were, to find out what the good things were, so that we can incorporate them into future designs.

In other words, they feed back the lessons we have learned to design, construction and other technology staffs.

Now, for the future I think decentralization is one of the major methods of accomplishing an expanding program. Some of us believe that most of this work shouldn't be done here in Washington, it should be done in the field. As you know, we have 15 regional offices. Each has an engineering branch. Their capability has been quite limited, as Mr. Harris pointed out, particularly due to lack of adequate manpower because of the personnel restrictions by Congress.

However, we are trying to improve their capability by many means. Our standards program, of course, will be a big help to the regions. We are delegating more work to the regions as rapidly as their capability develops to handle it and we hope soon to have the regions doing larger facilities and most of our modification work.

Mr. WILSON. You mentioned that some of your design work involves a system whereby you won't have to have architects on every job, you will have a standard type design. I would imagine you could only apply this concept to a certain size of post office. Even now, apparently, some post offices under 50,000 square feet are able to be built without having an outside architect.

Mr. HYZER. Not on 50,000 square feet.

Mr. WILSON. Under 50,000 square feet.

Mr. HYZER. The 50,000 square feet is now the cutoff point on a major facility which is handled in headquarters. Under 50,000 square feet is generally done in the regions. On a test basis we are using architect-engineers working with regional personnel to provide the final plans and specifications. This has worked very well so far.

Generally speaking, the regions make tentative drawings which are turned over to the lessor and then the lessor hires his architect to complete the final working drawings and specifications.

Our standards program is making progress. This will help particularly the smaller facilities from the layout point of view. We have standard layouts now. We have just developed them for third class post offices. In each region they have a standard set of folios for third class post offices. We are now working on sets for second class post offices which will carry the size up to about 28,000 square feet. This should be accomplished within the next few months.

Mr. WILSON. Is it in your Bureau that you are developing the computer systems and data processing, determining to what extent you will use it, and in what areas you will use it?

Mr. PACKER. For our own purposes, for engineering calculations, and for the solution of technical problems we are doing this; yes, sir. Department-wide utilization and application of computers, however, is in the Bureau of Finance and Administration for accounting, control, and management purposes.

Mr. WILSON. Mr. O'Marra, in his presentation yesterday, explained the wide use of computers in the transportation and other areas. I would imagine this is something you are developing in research and engineering.

Mr. PACKER. Yes, sir.

Mr. HENDRICKSON. May I speak a moment about this standardization?

Mr. WILSON. Yes.

Mr. HENDRICKSON. I do not want to leave here with the idea that we are standardizing the exterior design of all these buildings all over the country. We are talking about the interior of the buildings. Certainly, we are concerned with the community that we go into. We are interested in the exterior design. I wouldn't want to leave here with anyone thinking that every post office would look the same all over this country. The standardization, as I understand it, is the internal portion of the buildings, the workroom floor.

Mr. WILSON. Fine.

I can understand how this would be an important thing. You know that up to a certain size you are going to handle particular types of things and I can see great use for standardization for a good part of it. At the same time, I think that the outward appearance of the buildings has to fit into the community in which it is being built.

Mr. PACKER. Mr. Chairman, I would like to wind up our discussion on construction engineering with some comments on the way I see our progress and our problems and the manner in which we are operating now, the progress we have made, and what I see in the future.

First, it seems to me that the quality of our contribution to the major facilities program depends primarily on four things: first, the quality and the validity of the operational requirements that are presented to us. Obviously, if these are not valid or if they are excessively changeable or if they are not rigorous in an engineering sense, then our design process will suffer in its quality. We are now working successfully with the operating people to obtain from them valid and rigorous requirements. This is a great improvement over past years when this used to be a serious problem.

Another factor is the quality of our in-house design. Here we are talking about a professional upgrading of Mr. Hyzer's organization an effort which I think is showing good progress. In other words, the designers simply have to do a better job than in the past, given the problems presented to them.

Third, the quality of the architectural engineering firms that we retain to help us in the detailed design that is the final phase of the design for mechanization and for construction. Here again I think we have a very substantial improvement because we have initiated and are carrying out, I think, very successfully an evaluation procedure which assures us of good professional design quality in the community where the post office will be constructed. We visit these firms, we evaluate them carefully, we talk to their principals and to their officers.

We look at their background of design and project management experience, the professional status and stature of their key people, and we make our evaluation accordingly. Our recommendations have always been accepted in the past few years. So we are very pleased with the fact that we can bring to bear the best elements of the engineering and architecture business; that is, the private sector of the business, to help us design better post offices.

Finally, and a very important requirement—and Mr. O'Marra mentioned this yesterday and talked about it at some length—is the overall management quality of the entire program, including engineering as a portion of it. Here we are talking about planning, control flexibility, decisionmaking, and control of necessary changes. Now, many people have thought about these problems in the past few years; we certainly have. Others bureaus have, also. The top management of the Post Office Department has. The McKinsey study has examined some of these problems. The Kappel Commission has thought about these problems and commented on them, and I think that we are in a state where steady improvement is being made.

Now, some of the solutions to these problems are obviously not in our own hands. They are matters for Congress to consider, for example and Mr. O'Marra and we have mentioned some of them in our discussions.

I would now like to give you some idea of the strength of our construction engineering activity and its rate of growth, both of which I think are important.

In fiscal year 1966, construction engineering had 229 people, including contract personnel. As you know, we do employ contract personnel who are not on the Civil Service payrolls in order to iron out the unevenness in our workload. We had 229 in fiscal year 1966 and our authorized total strength in construction engineering for fiscal year 1969 is 462, better than a doubling of our strength. This is very gratifying. It means we are better able to do some of the new things Mr. Hyzer referred to that are very necessary to achieve the quality that we are seeking.

I would like to take a detour for a moment and give you the figures for the entire Bureau so you can see how we have grown as a Bureau.

In fiscal year 1966 we had some 250 people, total. For fiscal year 1969 we are authorized 671, a very substantial and a very gratifying increase which we certainly appreciate because it is the action of the Congress that has permitted this growth to occur.

In fiscal 1966 we had a total appropriation for research, development, and engineering of \$12 million. This included the payroll costs for construction engineering, industrial engineering, and research and development, and research and development contracts, a total of \$12 million, which at that time was less than one-quarter of 1 percent of the total revenues of the Department.

In fiscal 1969, a period of 3 years which I am considering, we have \$35 million for the same appropriation, close to a half percent of postal expenditures. So we have gone from a quarter percent to a half percent and we have achieved a growth rate in money and people exceeding 2 to 1, or better than a 100-percent growth rate in a 3-year period. I think this is a very good record and speaks well for what can be expected in terms of postal benefits from our work.

Mr. WILSON. Are you satisfied with the growth? Of course, growth means nothing unless you are doing something with it. But, do you feel that Congress is responding properly, or, are we a little slow yet in recognizing the importance of your bureau?

Mr. PACKER. I think with respect to our Bureau alone we are certainly satisfied with our growth rate and congressional support. With respect to the total modernization program of the Post Office Department, I think I would answer quite differently.

Mr. BRASCO. Mr. Chairman.

Mr. WILSON. Mr. Brasco.

Mr. BRASCO. Thank you.

I don't know whether or not any of you gentlemen would be able to answer these questions. I assume that other departments within the Post Office would be handling different phases, but I would like to ask what I consider to be practical questions about the building of a postal facility.

When you plan a facility, who makes the initial request for the new facility?

Mr. HENDRICKSON. It is usually requested by the postmaster that he needs a new post office.

At that point, then the Bureau of Operations will go in and determine if his request is valid.

Mr. BRASCO. Now, when you say Bureau of Operations—where do we begin—in Washington or at the local level?

Mr. HENDRICKSON. It is taken up first in the region if it is a small post office. The regional director will look at it. If he believes it is a good idea then he will put the question to the Department. The Bureau of Operations will make the final decision as to whether that post office will be put on the list to be renovated or replaced.

Mr. BRASCO. When you say a small post office what do you mean by that? What size are you speaking of?

Mr. HENDRICKSON. This is any size, third class, fourth class, first class office. It could be 5,000 square feet—

Mr. BRASCO. Is there any cutoff point when you refer to size, either in actual physical size or in terms of dollars and cents?

Mr. HENDRICKSON. No. We would always come here for final decision.

Mr. BRASCO. On any size?

Mr. HENDRICKSON. On any size; that is right.

Mr. BRASCO. Who then chooses the location of this post office?

Mr. HENDRICKSON. Then that is a group headed by Mr. O'Marra. What size post office do we want to talk about?

Mr. BRASCO. Well, that is the thing; I am just asking general questions. I would like to know from you, when you say it is a large post office or a small one, what we are talking about?

Mr. HENDRICKSON. All right. Let's talk about both of them. Let's take a major facility which is a facility above 50,000 square feet.

Mr. BRASCO. Very well. We would call that a large post office.

Mr. HENDRICKSON. We call that a major facility. There is a team headed by the Bureau of Facilities who will go out into the city and survey the sites. Those sites are usually recommended by the region. We have a man on that team, but primarily the Bureau of Facilities and the Bureau of Operations choose the site. We will certainly go in

and say that it is going to be very difficult to design, or something of that sort, but actually the decision is made by the operating people led by Mr. O'Marra who is the Assistant Postmaster General for Bureau of Facilities.

Mr. O'MARRA. Could I add one point, if I may, for Congressman Brasco's information?

Mr. WILSON. Yes.

Mr. O'MARRA. Before we determine that we need a new facility we will first examine the existing facility to see if it can be extended and modernized to meet the current and anticipated operational needs. If we can extend and modernize the existing facility, if we have the site required or if we can acquire additional property adjacent to the existing office at reasonable terms, we will go the extension and modernization route. If we eliminate that possibility, the next question is: Are there any existing facilities available to the Post Office Department in the community that we could go into on a lease or rental basis and satisfy our needs without going into new construction? If we determine if there is no existing facility that will satisfy our operational needs and we previously determined we cannot practically extend and modernize the existing office, then we examine the case for approval of new construction. It is at that point it becomes a possible new construction project for the Post Office Department. I say "possible" because we always have more new construction cases than the Department can possibly approve and handle and fund in any one particular year. So we are then down to the point of: among this group of new construction projects, which are the ones that have the highest priority? It is those then that—from an operational standpoint—have the highest priority that are incorporated into our subsequent year's program.

We have funds outside the construction program to extend and modernize, appropriated by the Congress each year. We have funds in our building occupancy appropriation for rental of existing space if satisfactory existing space can be found. We also have funds to modify that space to make it acceptable. Basically, the space is available, but it would require certain improvements to make it operationally satisfactory; if that is the situation then we can either go in there and expend our own funds to improve it or get the owner of the space, according to designs developed by the Bureau of Research and Engineering, to modify his particular property and to recoup the cost in the rent over the basic lease term. So we have trimmed down pretty much by going through that process to where when we ask for new construction from the Congress we really need it. We have exhausted the other alternatives available to the Department, the other lower cost alternatives available.

Mr. BRASCO. May I ask this question: How is this then coordinated? I assume, from my own observations, and from what I know about the construction situation, that the Post Office has made a determination that it is cheaper to lease these facilities rather than to build them with Government funds and own them outright. Is that correct or is that not correct?

Mr. O'MARRA. That is correct, with respect to the facilities under 50,000 square feet.

Mr. BRASCO. Under 50,000?

Mr. O'MARRA. Yes, sir.

Mr. BRASCO. Over 50,000, then?

Mr. O'MARRA. It is cheaper for the Government in the long run, over the long term, to own these facilities, as I mentioned yesterday, largely because when we lease a very large facility we take on a sizable tax burden that is reflected in the rent to us. It is privately owned property and the owner, of course, has to build into his rental to us the taxes he must pay on that property. If the Government owns that facility the Government, not being subject to local taxes, do not pay those taxes. The reason we are saying over 50,000 square feet is that we recognize in this area we have got to be able to get the capital to go into a community and build and own that type of facilities. Now, we have never been able to get enough capital to take care of the over-50,000-square-foot area. If you were to ask would this be true, let's say, of a 40,000-square-foot facility; well, it is possibly true. You do reach a break point where it is no longer true. But it is sort of academic because we have not been able to get the funds for our major facilities on a capital investment basis.

Mr. BRASCO. So that, under 50,000, you enter into the lease situation?

Mr. O'MARRA. Yes.

Mr. BRASCO. In connection with that, is there coordination with all of the bureaus, and, I assume, the Law Department, who would say draw up the lease that would control for the particular post office in question?

Mr. O'MARRA. General Counsel is involved in all of our agreements. Now, we do use standard lease agreement forms that they have approved so that we don't have to clear every single agreement through counsel, but where there is any deviation we do. All of the other bureaus are involved in being satisfied with the facility proposed, that it does meet their operational requirements.

Mr. BRASCO. Let me ask the question in this way, and maybe I can get the answer I am looking for more quickly: I have noticed in New York we have had an advertisement on a post office in, say, the area of 30,000 square feet and in one advertisement they are asking for a 20-year lease with  $x$  amount of options; in another, the same identical facility, they are asking for a 10-year lease with 4- or 5-year options. Apparently they are identical facilities. Now, what kind of reasoning would control here? I know I am giving you specific cases, and I know there may be some determining factors surrounding the particular case which may alter one's decision as to the length of the lease, but they are both new facilities to be constructed and I cannot conceive that the Post Office would enter into an agreement of this sort to build a new facility and then contemplate not staying there more than 10 years.

Mr. O'MARRA. Right. I can answer that generally for you. This is a matter of judgment. On the smaller facilities this judgment is made at the regional level, the Bureau of Facilities counterpart there. Generally, we recognize that the longer the lease term the more favorable the rental rate will be.

Mr. BRASCO. This is the reason I asked the question.

Mr. O'MARRA. Because we have guaranteed the lessor to amortize his expense over a longer term. On the other hand, if the local judgment is that we are not certain that that particular location for that particular office is going to remain for as much as 20 years as the most desirable location for the office from an operational standpoint,

we will opt for the shorter lease term because then the Post Office Department has the flexibility it needs to be able at the end of that shorter lease term to go to a more desirable location.

If you were in an area that is subject to rapid growth and change, for example, you can locate a facility today that is best from an operational standpoint and 10 years from now if you had the choice to make again you might pick a different location. If you are going into a community that is very stable, we will generally go for the longer lease term. If there are a lot of changes going on and a lot of growth, we will generally go to the shorter lease term.

All we are trying to do in doing that is to protect the Department from an operational standpoint. We can choose to move at the end of a shorter lease term. So it is a judgment as to what is going on in that community and what is apt to go on in the future that is reflected in the lease term we select. If it is a very small facility, these are the ones most susceptible to change, most susceptible to growth, exceeding the capability of the Department. When you get into the major facility category, where we are putting these in principal communities that will remain principal communities for a long time, we can lease up to 30 years and we do exercise that 30-year option on the major facilities and usually include eight 5-year renewal options, so we have really protected ourselves for a period up to 70 years.

In New York City and the principal cities around the country we know they are going to stay principal mail-handling locations for a long time but when you get out into the suburbs in New York City you have this possibility of wanting to shift locations at the end of 10, 15, or 20 years. So we compromise. We try to select a term that best fits that community and will give us the best deal from a rental standpoint. It comes out 10 years in some cases, 15 years in others, 20 years in others, and 30 years in the principal cities of the United States, the major areas.

Mr. BRASCO. Thank you.

Mr. WILSON. I would like to go ahead with Dr. Packer's presentation. We are going to have to try to squeeze another meeting in here with military people in connection with military postal facilities with which we are concerned. We want to give you all the time, however, that you feel you should have.

Mr. PACKER. I would like to continue with some further remarks.

Mr. WILSON. Incidentally, I might say that in the prepared testimony received from Mr. O'Marra yesterday there is a chart that shows the procedure they go through in the development of a major postal facility. He used one of 300,000 square feet as an example. It answers a lot of the questions brought up here insofar as what is done and how you do it in getting these things started.

Dr. Packer?

Dr. PACKER. To continue our discussion of construction engineering. Mr. Hyzer's organization, I think it is interesting to note the kinds of professional disciplines that Mr. Hyzer needs in order to do his job properly. I would like to mention a few of the kinds of specialists that we use in construction engineering. We use operations analysts who are not engineers but who are postal experts and thoroughly familiar with postal practices. We use almost all the branches of engineering, industrial, mechanical, electrical, civil. We use architects, standards

engineers, value engineers, equipment specialists. We have several fire prevention specialists who are engineers. We use a number of other technicians, management specialists, draftsmen, et cetera. So it is a highly diversified operation and we are bringing it up to a high level of professional proficiency under Mr. Hyzer's leadership.

We also have a number of new elements in the organization which have just been started within the last year and a half. They were referred to previously but I would like to mention them very briefly because I think they are very important.

Our job is not only design, ours is a full responsibility for the total scope of the construction engineering effort in the postal service. This function of engineering evaluation that Mr. Hyzer mentioned, I think it is terribly important because in any technical organization the designers lead a relatively isolated existence. They are on the board, they very rarely know what mistakes they make or what successful designs they achieve unless there is a mechanism for bringing it back to them. So we have an engineering evaluation group that performs engineering studies of completed building structures and mechanization installations of mail processing equipment, to evaluate the actual experience in performance against projected or expected experience at the time that the design was made. This is beginning to show very good results.

We have a value engineering group that directs a Department-wide value engineering program. Value engineering very simply means the best functional performance for the least cost.

We, as you know, do not have the competitive profit factor in Government engineering design, and this is our way of introducing those kinds of motivations to get the best design as well as the best functional performance at the least cost. We have an engineering standards group that is growing very nicely which develops construction and fixed mechanization standards to provide a reasonable degree of uniformity of design wherever applicable. This will speed up our design, reduce our costs, and obtain better quality as a result.

We are participating more than ever before in planning and field surveys. This is something I feel very strongly about because I feel that engineers should be involved in the initial thinking that leads to the development or concept for a new facility. Of course construction research is an activity whereby we maintain a current awareness of new developments in architecture, in structural engineering, computer application, mechanization equipment design, materials handling, communications and so on, all as applied to postal facilities.

Another aspect of the development of our organization is that we have to reach out for the professional world and make ourselves a part of it. This has not been the case in past years.

I would like to quote a few examples of ways in which our construction engineering activity is beginning to relate to the outside world and these are very important influences on the quality of our work.

We have a Research and Engineering Advisory Council. A part of the council, one panel of the council relates directly to architectural and construction engineering and we have people on this council of the caliber of the president of one of the largest construction firms in the country, the dean of engineering of MIT, the vice president and scientific director of International Telephone & Telegraph, and other people

of similar caliber who advise us as to ways in which we can improve our work and go into the future with better competence.

We are members of the Federal Construction Council, of the National Academy of Sciences. We have had meetings with the Construction Specification Institute, the American Institute of Industrial Engineers. We have a number of members of the National Society of Professional Engineers, the American Society for Engineering Education, and we are very active in promoting technical relationships with foreign postal administrations.

There are many interesting, and, to us, potentially useful contacts that come through visits to this country by foreign engineers and postal officials and we reciprocate these visits and enjoy a very cordial correspondence with these people and continually exchange technical information.

We gave a presentation recently on invitation of Dr. Hornig to the President's Science Advisory Committee, for example, and they were very much interested in our work and some of the problems we face.

We are members of the Consulting Engineers Council and so on. I could go on, but I won't take the time of the committee.

What I am really trying to say is that we are quite successfully correcting an isolation from the outside world which is characteristic of design groups and design organizations, particularly in government where the profit motive does not provide you with the impulse and the thrust to maintain current awareness of the state of the art, and the professionally stimulating things you have available if you just leave your drafting board and your office and go out and seek them.

We do have some problems, and I would like to mention them because I think they are important.

We will have this problem always with us, but I think we are making progress here too. That is the problem of internal communication. We have this problem within our own Bureau. For example, in the transfer of research and development results to design engineering, Mr. Hendrickson and the other managers in the Bureau have to prod our own people to release their research and development work and make it available to the designers to make a timely impact on the postal system. If we do not persistently do this, we will be researching things for years and years at a time when the system desperately needs these improvements.

In turn, we have to prod the designers to use the output of research and development. We have to get these different kinds of specialized people to talk to each other because they must depend on each other. The designers cannot be isolated from the changes that come from R. & D. and the R. & D. people have to be made to release promptly their pet projects and make the results available to the designers.

We have problems in coordination with other bureaus which we are working on as hard as we can. This is primarily the responsibility of my office.

For example, there has been in the past a policy to use only proven equipment in post offices, and for very good reasons. We cannot put untried or experimental equipment into a post office and inflict this kind of burden on a postmaster who has to move his mail daily.

On the other hand, we cannot carry that policy far enough to exclude new equipment or to delay its introduction because if this is carried

to a logical extreme, some people will always say anything new or imaginative is not fully proven. We do not have 10 years of operating experience with the new equipment and therefore we do not want to use it. So there is a middle ground whereby you can introduce change into post offices with enthusiastic cooperation of postal managers provided we engineers fulfill our responsibility and adequately prove out this equipment before it goes out into the field.

We have a serious problem, and Mr. Hyzer spends a great deal of his time wrestling with it, in workload continuity, and this, of course, Mr. O'Marra talked about yesterday. It reflects into our organization in terms of uncertainty. We cannot plan our funding, we cannot intelligently plan our space and our working facilities and our utilization of contract personnel and so on.

We have a problem in trying to achieve as quickly as possible architectural quality in our construction engineering work, to get the most creative contribution from the outside firms without tying their hands. On occasion, architectural and engineering design firms have complained to us that we give them a design that is so far developed by our people they cannot adequately utilize their own esthetic and creative capacity. Maybe this is true and we are sensitive to this, and of course from time to time we do get complaints about the appearance of a post office and the general architectural integrity.

Mr. WILSON. In connection with that, Dr. Packer, the procedure is: after a site has been selected and purchased, then your Bureau does preliminary design work in order to establish specifications and things of this sort. Then you send this to the architect who is finally selected for the job, is that right?

Mr. PACKER. Yes, sir.

Mr. WILSON. How much time generally elapses between the actual purchase of the property and the site selection, and when you have completed this preliminary work? I guess it depends upon the size of the job.

Mr. HYZER. It varies considerably. I would say a 1-year minimum.

Mr. WILSON. A 150,000-square-foot post office?

Mr. HYZER. I would say 2 years. Actually, they run a lot more than that on the average, but we could crank it through all of the steps in less than 2 years.

Mr. WILSON. On your preliminary design?

Mr. HYZER. Yes, sir; up to the award of the AE contract. We try to give the architect engineer say a year on the smaller ones, a little less; on the larger ones considerably more than that.

We are starting out AE contracts now which we hope to advertise next fall, a year from now.

Mr. WILSON. Let me give you a specific case. The new proposed preferential mail center in Los Angeles will be an \$8 million facility. Once the site is selected there, you would say it would probably be 1 or 2 years before you are ready for even considering A & E?

Mr. HENDRICKSON. No sir. As soon as the site is selected, it would not be 2 years. It can be as little as 6 months. It is according to what chances we have taken along the way. We do take some chances and try to push some of these programs. If we have the site controlled in our own mind, then we can go ahead up to a point. But we do stop if we do not have it totally under control. After it is under control,

usually it would take not more than a year before we would select an A & E. Then the A & E. would take approximately on a building of that size about 1 year to design.

Mr. HYZER. In Los Angeles we are still in the 929 stage, which is the form the inspectors fill out with the basic data.

I would say with a large facility of that type we are 2 years away from architect award. I do not have my schedule. I doubt if that has been scheduled out to that degree. Do you know, Dick?

Mr. HARRIS. That is about right.

Mr. HYZER. We have not selected a site yet.

Mr. HENDRICKSON. The Congressman is asking about the length of time involved after the land has been purchased.

Mr. HYZER. Normally the land is under control of the Bureau of Facilities before we award an A. & E. contract. The site may be selected a year or more ahead of that.

Mr. WILSON. Then of course you are at the mercy of the the funding too.

Mr. HYZER. Yes, sir.

Mr. WILSON. You can only ask Congress for funds when you reach a certain point, I suppose, in the development.

Mr. HYZER. Yes.

Mr. WILSON. I think Mr. Brasco has a question about it.

Mr. BRASCO. Over and above that, I understand that the new facility coming in Brooklyn, which you would consider a large facility, is somewhere in the area of \$36 million or something like that for construction. Is there any target date for commencement of work?

Mr. HENDRICKSON. If you do not want to be specific, yes. Just talking in general about any program, you have to get a certain place before we can program it all the way through. To say there is a program on this specific project at this time would be doubtful. Whenever we get certain things accomplished then we can program the whole thing out.

Mr. BRASCO. You see, this is a part of an overall picture. Nothing is contemplated at this particular time in terms of scheduling other than the fact there is going to be that kind of installation in Brooklyn.

Mr. HENDRICKSON. I do not know which one you are talking about.

Mr. HYZER. As I recall, we do have a facility planned for Brooklyn. Perhaps Mr. Coffman knows. It has not been scheduled out as far as I know.

Mr. O'MARRA. One of our problems, Congressman—you will recognize this—we are having difficulty putting together a site of the size required for that large facility in Brooklyn.

Mr. BRASCO. My question was in terms of timing. I assume there can be no timing until you solve the problem you were talking about.

Mr. O'MARRA. We are hopeful of having Brooklyn programed and funded for site and design in our fiscal 1970 program. We originally had it targeted for the tail end of fiscal 1969, but the site problem is such that we cannot control the site in fiscal 1969 and we will require the funds now in fiscal 1970 on the control of the site. As it was brought out, we really cannot award an A. & E. contract, even though in-house engineering work can be going on, and have him start work unless we can say it is definitely going to be on this specific site. Otherwise we are wasting A. & E. money.

Mr. BRASCO. So there is no site?

Mr. O'MARRA. There is no site at the present time, but we are working on lining up the site, and in many of these sites we run into problems that we have 70 or 80 or 100 parcels involved putting together the post office site, and we have to go through a long condemnation procedure, for example. We have to negotiate with each owner, the Justice Department requires that we enter into individual negotiation before we file condemnation. When we have this many people to negotiate with, this slows up your ability to go ahead.

Mr. BRASCO. This is the problem. There is very little land available. I know.

Mr. HYZER. To carry on from a scheduling point of view, we establish the site requirements and give them to Mr. O'Marra but —

Mr. BRASCO. Once the site is located you come in?

Mr. HYZER. On a facility of this magnitude, we cannot go ahead with design until we know what the site is going to be. This would be wasted engineering efforts. Once he gives us a site then we can proceed with our design schedule.

Mr. WILSON. I am sorry we get into these parochial matters. I brought it up first and I want to apologize. These are things we can probably check out with you directly. We are probably going to have to proceed with our other hearing.

Would you like to wrap your presentation?

Mr. PACKER. Yes, sir; I think I can in 5 minutes.

Mr. WILSON. Proceed.

Mr. PACKER. I think it is an interesting fact that the regional engineering branches in our postal regions have approximately 10 times as many projects as we do in headquarters and provide approximately the same amount of postal space per year as we do in headquarters. Therefore, it is quite natural that we should be concerned with an upgrading of their effectiveness and competence as we are concerned with our own Bureau.

Under Mr. Hyzer's direction we have a small organization that is working toward an improvement of engineering functions which are primarily facilities and postal space oriented in the region. We are trying to achieve improved quality of architecture, better control of construction, better competence of these groups. We are not yet fully satisfied with the professionalism of these engineering groups at the present time. Improvement of regional competence will give us many benefits in the future, certainly a more favorable reaction from the public on completed post offices, higher standards of design and more economical maintenance, fewer litigations and misunderstandings and all the difficulties that you get into if you do not have the highest level of competence in the regions. And we are very concerned about the fact that the Congress has not permitted the regions to grow, and this has hurt engineering effectiveness in particular.

I would like to conclude with just a few remarks as to what we see in the future. I think that would wind up our discussion of construction engineering.

In the future we see progress in modular design for subsystems. By that I mean we will see modular design elements in air conditioning, heating, lighting, windows, floors, conveyors, structural elements, doors, traffic control, and so on. We will see more selective standardization of smaller office design. Better layouts, better use of space, more

adaptability to change because need for change will be upon us much more so than in the past.

We see better and closer relationships between research and construction engineering and between our bureaus and other bureaus in the Department that are involved in the facilities program. We certainly hope to see more effective regional engineering operations. We are looking forward to better management and better planning within our own Bureau and we are going to use systems engineering in construction more and more.

Those are my projections, those are some of the objectives toward which we are working. These are the ways in which I see the problems and the hopes in construction engineering in our Bureau, Mr. Chairman, and I would like to reserve for some future time our further discussion of industrial engineering and research and development.

Mr. WILSON. I want to thank you very much, Dr. Packer.

I am very well aware of the outstanding job you and your associates are doing in the Bureau of Research and Engineering and the great contribution you have made to the modernization of our postal system. Too few people in our country are aware of the work that is actually being done in this field.

We, as Members of Congress, get complaints from people about the deliveries of mail and so forth. I think the people get more for their money in the Post Office Department than any other branch of Government, but nevertheless, we have to make them aware of the scientific approach you gentlemen are taking, and what you are doing to help modernize the postal system. We are very happy for this opportunity to meet with you and hope perhaps next spring we can have you with us again to bring us up to date. I do not know how many changes there will be then. But, I hope you are all still with us and can come back so that we can proceed in an orderly fashion.

Unless there are further questions or comments, we will adjourn this portion of the meeting. Thank you very much.

(Whereupon, at 11:22 a.m., the committee adjourned the open session.)

○