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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1973

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

SUBCOMMITTEE ON THE TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS

TOM STEED, Oklahoma, *Chairman*

JOSEPH P. ADDABBO, New York
EDWARD R. ROYBAL, California
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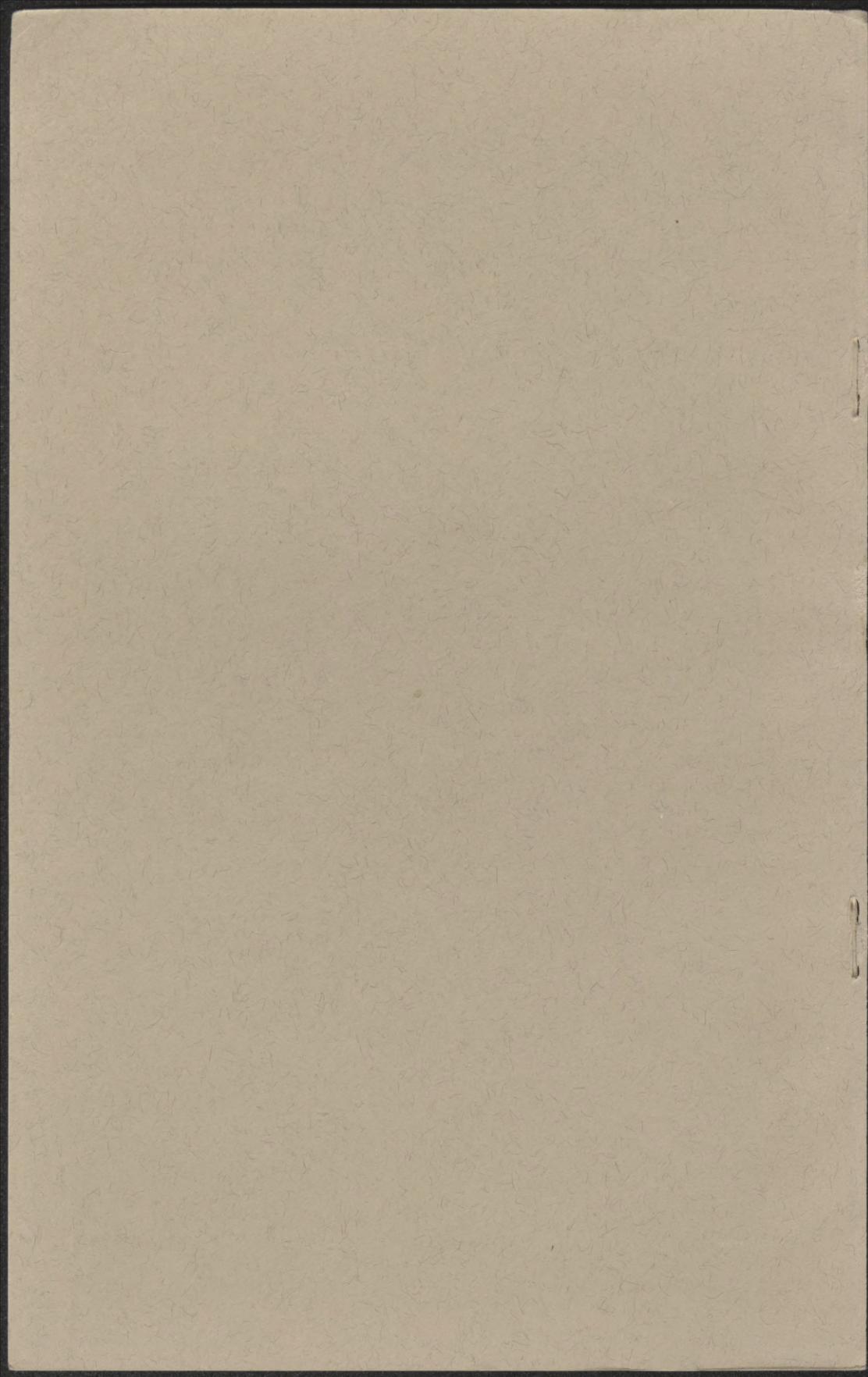
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ERAL GOVERNMENT APPROPRIATIONS
FOR FISCAL YEAR 1973**

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POSTAL SERVICE



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TREASURY, POSTAL SERVICE, AND GENERAL GOVERN-
MENT APPROPRIATIONS FOR FISCAL YEAR 1973

TUESDAY, MAY 23, 1972.

U.S. POSTAL SERVICE

WITNESSES

E. T. KLASSEN, POSTMASTER GENERAL
BENJAMIN F. BAILLAR, SENIOR ASSISTANT POSTMASTER GENERAL
FOR SUPPORT
PAUL N. CARLIN, SENIOR ASSISTANT POSTMASTER GENERAL FOR
EXECUTIVE FUNCTIONS
HAROLD F. FAUGHT, SENIOR ASSISTANT POSTMASTER GENERAL
FOR MAIL PROCESSING
JAMES W. HARGROVE, CONSULTANT
LAWRENCE C. GAYLE, ASSISTANT POSTMASTER GENERAL FOR EM-
PLOYEE RELATIONS
WILLIAM J. COTTER, ASSISTANT POSTMASTER GENERAL, POSTAL
INSPECTION SERVICE
E. V. DORSEY, EXECUTIVE ASSISTANT FOR POSTAL AFFAIRS
HENRY R. ALBERT, EXECUTIVE ASSISTANT FOR GOVERNMENT
RELATIONS
ROGER P. CRAIG, DEPUTY GENERAL COUNSEL, LAW DEPARTMENT
WOODROW G. DOAK, MANAGER, BUDGET DIVISION, FINANCE
DEPARTMENT
GEORGE R. CAVELL, PROGRAM DIRECTOR, BULK MAIL PROCESS-
ING, MAIL PROCESSING GROUP

Mr. STEED. The committee will be in order.

The committee is in session today to take up the budget request for the U.S. Postal Service. The appropriation for fiscal year 1972 was \$1,417,522,000, including \$200 million in the supplemental. The budget estimate for fiscal year 1973 in the President's budget is \$1,424,039,000 an increase over the 1972 appropriation of \$6,517,000. The Postal Service has requested \$216,400,000 over the budget figure; making a total Postal Service request of \$1,640,439,000, an increase over the 1972 appropriation of \$222,917,000.

We have a new Postmaster General this year, not new to the committee but new in his capacity. So we extend a special welcome to you, Postmaster General Klassen. We would now like to have your biographical sketch for our record, and then we would like you to present your associates for the record and make whatever statement you choose to make.

(Mr. Klassen's biographical sketch follows:)

BIOGRAPHICAL SKETCH OF E. T. KLASSEN, POSTMASTER GENERAL,
U.S. POSTAL SERVICE

Elmer Theodore Klassen, in his capacity as Postmaster General of the United States, also serves as a member of the Board of Governors of the U.S. Postal Service.

Mr. Klassen was appointed Deputy Postmaster General of the U.S. Post Office Department in February 1969. He served in that position until January 1971, when he resigned to accept an appointment as a Governor of the Postal Service.

On December 7, 1971, the Board of Governors announced his election as the 60th Postmaster General, effective January 1, 1972. Mr. Klassen is the only Deputy Postmaster General, since the Nation was a Crown colony, who subsequently became Postmaster General.

At the time of his initial appointment to the Postal Service in 1969, Mr. Klassen was widely known as an outstanding corporate executive. His career had already spanned 40 years of progressively increasing responsibility with the American Can Co., where he served as president, chief operating officer, and director.

He played a prominent part in planning for postal reform and was instrumental in the massive effort that resulted in enactment of the Postal Reorganization Act of 1970. This historic act brought about the transformation of the former Post Office Department from a cabinet-level department into an independent establishment of the Federal Government known as the U.S. Postal Service.

He is recognized widely for his expertise in the field of labor relations. He was closely associated with development of a progressive program of labor-management relations within the Postal Service which resulted in the precedent-setting labor contract between the U.S. Postal Service and the collective bargaining representatives of seven postal unions on July 20, 1971.

Born on November 6, 1908, in Hillsboro, Kans., Mr. Klassen was a young child when his family moved to California, where he received his early education. He attended the Harvard University Graduate School of Business Administration in 1952, completing the advanced management course.

Mr. Klassen is board chairman of the Institute for Collective Bargaining and Group Relations, New York City; a member of the board of trustees of the Post Graduate Institute of Osteopathic Medicine and Surgery, New York City; a member of the Economic Club of New York City; a member of the Sky Club of New York City; the Elks Club; and he is active in many civic organizations.

He is married to the former Marie Callahan of New Jersey. The Klassens maintain a residence in Conway, Mass., and they now reside in Washington, D.C.

GENERAL STATEMENT

Mr. KLASSEN. Mr. Chairman and members of the subcommittee, we welcome the opportunity to appear before you today.

During the time I have been Postmaster General, I have made a complete review of the many policies, operations, and projects of the Postal Service. I believe that the Postal Service has made a positive beginning toward reform, despite the fact that it has only been in existence for roughly 10 months. There are a number of programs currently underway or in the planning stage that reflect the major direction of the Postal Service.

Before describing these programs, I want to discuss something that concerns me very much—and which prompted me to make my recent statement to postal managers across the United States. We are facing increasingly stiff competition in all classes of mail. And apparently this factor is affecting our overall mail volume, since if the trends continue our volume this year will be below the previous years for the first time since the 1930's. We also face rising costs, and 85 percent of our total operating expenses are labor and employee benefit costs.

Our fiscal year 1973 budget reflects \$450 million additional revenue which is approximately a half year yield of a rate increase to enable us

to cover our rising costs. I am convinced the public is not ready to absorb such a rate increase unless we can clearly demonstrate that we have improved our service in a significant and consistent manner and that our costs have been dramatically reduced. Therefore, we are undertaking a priority program of service improvement and cost reduction which is designed to try to avoid the necessity for a rate increase in fiscal year 1973. Let me repeat the words "try to avoid the necessity for a rate increase," because it is not possible for us to make a flat promise that there won't be an increase in fiscal year 1973. We will, however, do everything within our means to avoid this budgeted rate increase.

COST REDUCTION PROGRAM

I have directed all managers, including, as you know, those local managers in our more than 43,000 locations, to look at their operations closely to find areas where they can substantially reduce their costs. They have been challenged to cut their costs and, at the same time, to improve the services they provide their customers.

To give substance to the cost reduction program, we have declared a freeze on all outside hiring for a 90-day period until July 1, 1972. Critical vacancies occurring during this period will be filled by promotion, transfer, or reassignment of career employees. There is also a moratorium on increases in complement ceilings and in job levels. As of July 1, the practice of augmenting work forces with expert consultants, outside contractors, or details will cease.

I recognize that these are strong actions, but they are only the first. The real cost savings must come from the decisions—literally thousands of decisions—to be made by managers at all levels.

Let me turn now to some of our other programs.

IMPROVED WORKING CONDITIONS

Over the years the Post Office Department was criticized for the deplorable working conditions for its employees. We have a major effort underway to improve environmental working conditions at our local post offices. The first phase is proceeding well and it will result in the remodeling, or improvement, of nearly 800 facilities at a cost of \$40 million.

We are now preparing to expand this program to include all major buildings within the 10 largest metropolitan centers where nearly 30 percent of our employees work. In this second phase, approximately 1,000 more facilities will be modernized.

While we are modernizing the work areas in post offices, we also have an immediate goal of brightening and cleaning up the appearances of our lobbies so that they are more pleasant for our customers. We want our lobbies to reflect our commitment to service.

SERVICE STANDARDS

Service and customer courtesy must once again become a way of life throughout the entire Postal Service. Our emphasis will be on the dependability of our service—in order that our 200 million customers can count on us to provide the service they need and expect.

To help assure that we provide high-quality services, several months ago we set forth certain service standards for the delivery of all first-class mail and airmail. Subsequently, we also developed internal service standards for all other classes of mail, so that all line managers can be evaluated on their performance in consistently achieving these standards.

We have been achieving the 95 percent standards quite often, but we do not do so on a consistent enough basis for all of our post offices. Service has improved significantly in both local-area and airmail, and we are determined to reach the 95 percent mark consistently.

The national bulk mail system—33 specially designed, automated plants to handle parcel post and other bulk mail—is under construction and is expected to be operational by late 1975. When it is complete, we will be able to improve our performance in the delivery of parcels and bulk mail substantially. The preferential mail system, which will concentrate the processing of letter mail in a few highly mechanized centers, is well advanced in planning although we have not committed ourselves to it yet.

Not all of our programs, however, reflect large capital investments.

Increased training is an illustration of another tool being used to help improve our efficiency. For example, several of the new functions assigned to the Oklahoma postal training operations (OPTO) are network maintenance training for bulk mail, preferential mail network training, and basic correspondence courses in maintenance.

Several new postal services have been made available, such as:

Controlpak, an experimental new system that provides added security to credit card mailers;

Facsimile mail, which provides electronic transmission of any letter, chart, graph, et cetera; and

Mailgram, which utilizes Western Union's teleprinter lines in combination with the Postal Service's delivery service capability.

This subcommittee is, of course, interested in our fiscal affairs.

Last January, the Postal Service tested the capital market for the first time, selling \$250 million of 25 year bonds at 6 $\frac{7}{8}$ percent interest. This bond sale demonstrated that large amounts of private capital can be made available to meet the needs of the Postal Service at advantageous rates of interest.

Research and development is, of course, a continuing effort. Currently the major emphasis is on the letter mail and bulk mail program areas. These two programs are expected to provide for the development of nationwide systems of highly mechanized facilities through which mail will flow. They indicate the continuing emphasis being placed on technology to modernize and improve the efficiency of the Postal Service.

Mr. Chairman, I have given you a very brief synopsis of some of our concerns as we attempt to reduce costs and provide improved service to our customers. If we are to succeed in the tasks that lie ahead, we will need the patience of the public and the confidence and support of this subcommittee and the Congress.

Mr. Chairman, we are here to provide information as you may wish about postal operations and financing of the Service for the coming year. We are asking that \$1,640,439,000 be appropriated to the Postal Service for fiscal year 1973. This amount exceeds the request for ap-

propriations transmitted by the President in his budget message of January 24, 1972, by an amount of \$216,400,000. The President's budget request does not include the \$216,400,000 required for revenue forgone appropriations covering phased rates for regular rate third-class mail and controlled circulation publications. Mr. Bailar will provide you tomorrow with detail information on the financial aspects of postal operations.

Let me conclude by saying that if we are to succeed in the tasks that lie ahead, we need the patience of the public and the confidence and support of this subcommittee and the Congress.

As we understood, Mr. Chairman, at this juncture you may want Mr. Faught and George Cavell to give a presentation of the bulk mail network.

Mr. STEED. Yes. I want to say that we are pleased to have this opportunity to have you make this presentation. Also, we extend an especially warm welcome to you. You have been before us before, but this being your first appearance as Postmaster General, we want to take note of the fact that you and former Postmaster General Blount were the presiders over the transformation of the Postal Service from its old status into swaddling clothes as a corporation. We have noted with encouragement the very positive steps that you have been taking since you assumed the total responsibility of the Postmaster Generalship to help bring this Service into the level of efficiency and service that we all have hoped for.

I heartily agree with you that patience, understanding, and tolerance of the problems that you face and the time that you need to get this Service back on its feet and back in the posture that we want it, are important. I hope both the Congress and the public will realize that you have the kind of problems that do not lend themselves to instant solution, but they will take time.

We believe you are on the right road to it. Personally, I hope we can help provide you the resources and the public understanding that you need to win this tough fight you are in.

If you would like to go ahead with this bulk mail presentation now, we would be delighted to have it.

Mr. KLASSEN. Very good.

Mr. FAUGHT. George Cavell will handle the presentation.

(The charts follow:)



NATIONAL BULK MAIL SYSTEM

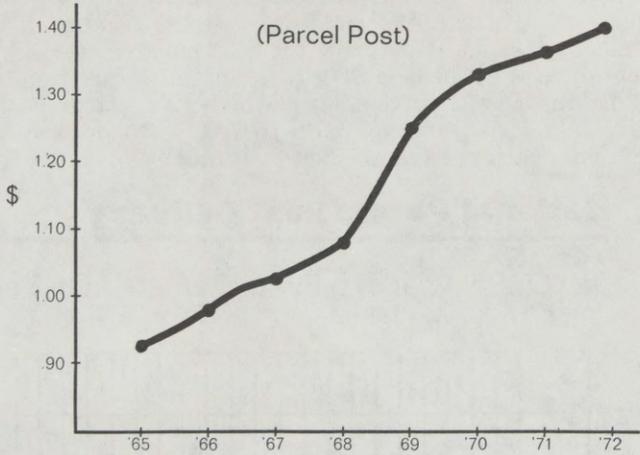
Mr. CAVELL. Mr. Chairman and gentlemen. We are making a presentation to you now about one of the major efforts in the Postal Service to help in improving our service to the public and to our customers—the national bulk mail system.

The problems that we face and that have brought about our consideration of another means of handling bulk mail are reflected by costs, deteriorating service which you heard the Postmaster General talk about, relative to time and damage in particular, and, of course, the Postal Service is experiencing a declining market share at this time.

Problems

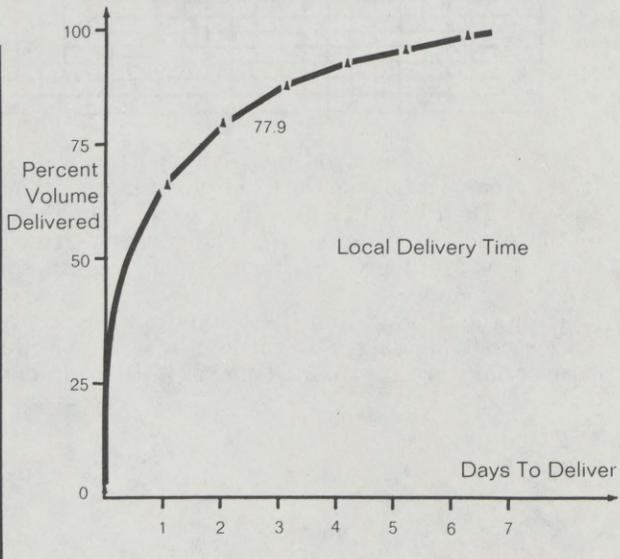
- ▶ Rising Costs
- ▶ Deteriorating Service
 - Time
 - Damage
- ▶ Declining Market Share

Cost Per Piece Handled



Mr. CAVELL. The cost per piece handled in 1965 was a little over 90 cents. This is for processing and does not include transportation costs. In 1971, that cost had grown to approximately \$1.40 per piece.

Deteriorating Fourth Class Service



Mr. CAVELL. We have here what the service is today based on the origin, destination information system in the local delivery area. In this case the local delivery area is that area served by a bulk mail center, so it could be a 100- to 150-mile radius from the given point.

Taking the 95-percent level which you heard the Postmaster General talk about, it requires 6 to 7 days to deliver fourth-class parcels on a national average basis within any given local service area.

National Parcel Post Delivery

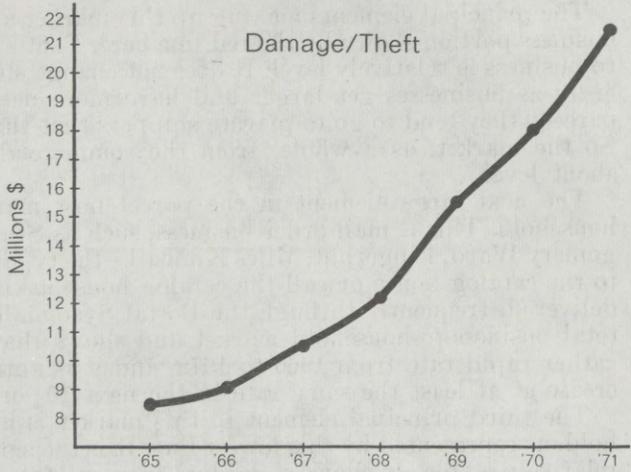
Day Of Postmark To First Attempted Delivery
- 95% Volume Delivery

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Mr. CAVELL. On a national transportation mode or a national delivery mode, let us take the example of going from St. Louis to Denver. In that case it takes 16-plus days to go that distance to get 95 percent of the parcel post delivered. The range is from 6 to 29 days, which shows a great degree of inconsistency, again something referred to earlier.

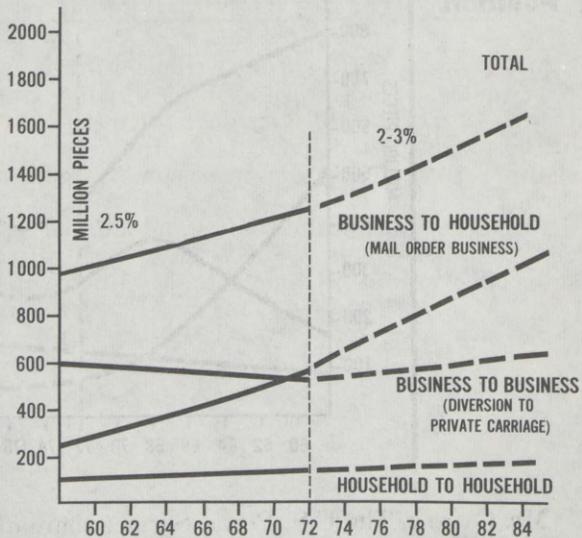
From the damage and theft standpoint as represented by insurance claims, in 1965 about \$8.5 million in terms of claims; in 1971, we had claims that were approximating \$22 million, and on a declining volume.

Insurance Claims



MR. CAVELL. Let us look at what the parcel post market is, the components of that market. From the overall standpoint, we are showing here that there has been a consistent growth in the market from 1960 to 1972, and we anticipate that there will be a continuing growth at about the same rate that there was from 1960 to 1972.

Composition Total Parcel Post Market



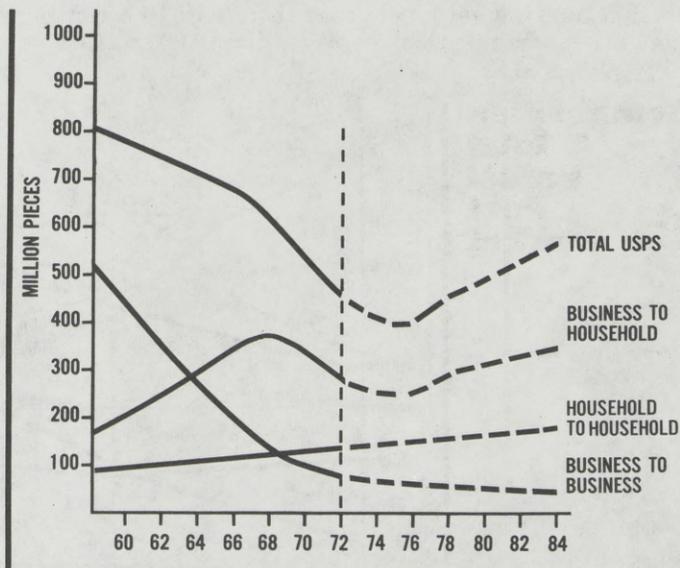
The principal elements making up this market are; the business-to-business portion shown by the red line here. That shows that business-to-business is relatively level. It does not change significantly. Apparently as businesses get larger and have more need for handling of parcels, they tend to go to private shippers that they directly control. So the market, as a whole, from the commercial standpoint, stays about level.

The next large element in the parcel post market is business to household. This is mail order business, such as Sears Roebuck, Montgomery Ward, Fingerhut, Miles Kimball—the type where people write to the catalog house or call the catalog house asking for goods to be delivered, frequently through the Postal System. This represents the total business-to-household market and shows that it increased at a rather rapid rate from 1960 to 1972, and it is anticipated it will increase at at least the same rate in the next 10- or 12-year period.

The third principal element in this market is household to household, as represented by this lowest line. It is the smallest element, and relatively stable. It shows a gradual increase from 1960 to 1972. We project a continuing increase at about the same rate. This is related to the general increase in population.

The household-to-household market is the sending of gifts between households at Christmastime, birthday, laundry boxes, college needs, this type of thing.

USPS Market Position



MR. CAVELL. The U.S. Postal Service share of the zone rated parcel post market is shown by these curves. From the total standpoint, this represents where we are today, where we were in 1960, and shows the continuing decline of our position in the parcel post market.

The business-to-business share, which is shown by the yellow or orange line, shows a rather rapid decrease. This really shows the impact of our competition. We have gotten down to about a minimum

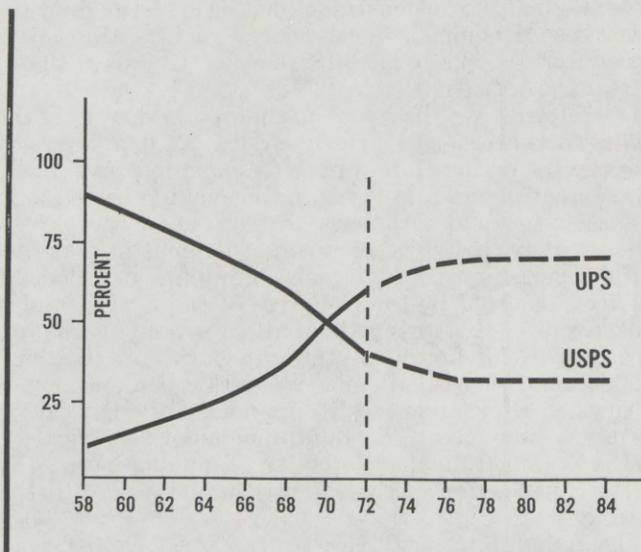
level here in 1972, and anticipate that that represents our share, and that we do not really increase our share of that portion of the market. The tendency is that once the people have left us and gone to some other service, they are not likely to come back to us, even if we do improve our service considerably, unless there are some other significant competitive factors or a dissatisfaction with the service to which they have switched.

The business to household represents the most significant portion of our market at this time. You can see here that we had a rather nice increase up to about 1968, and then as our services began deteriorating because of facility constraints and damage increase, and also the impact of competition, it began to decrease rather drastically.

We anticipate a turnaround in 1976, that we will increase our share in that market, but not to the level we enjoyed in the beginning when we really did not have competition.

The household-to-household market is represented by this line. We indicate that the Postal Service serves most of that market, and probably will continue to serve most of it, because we really have the delivery system and the acceptance system for this kind of mail which our competition does not have and generally cannot afford.

Parcel Market Share



Mr. CAVELL. Looking at the parcel post market, where we experience the greatest competition in the bulk mail area, our principal competition being United Parcel Service, you can see the declining Postal Service share, and here the increasing United Parcel Service share. In 1972 they enjoy about 55 percent of the market and we 40 to 45 percent. The remaining portion goes to smaller carriers such as Greyhound and REA. In 1970, they overtook us. This is the crossover point. From that point on we are handling less volume in parcel post than United Parcel Service.

Analysis Of Alternatives

▶ Approach

- Procedures
- Measure Of Effectiveness

▶ Alternatives

- Continue Present System
- Get Out Of Parcel Post Business
- Implement Partial System
- Contract For Proposed NBMS Functions
- National Bulk Mail System

Mr. CAVELL. In order to look at the situation and to see how to resolve these problems, we considered various alternatives and various procedures. We had to measure the effectiveness of these various procedures and alternatives.

The alternatives that were considered in detail are those listed here: One is to continue the present system as it is today with minor improvements, trying to minimize damage, improve service to the maximum extent possible, but within the existing basic facility constraints.

The next consideration was to get out of the parcel post business. When we say this, it is somewhat a figment in that we cannot get out of the business entirely. There is a minimum or a floor, if you will, that has been required by the Congress of the USPS, and that is to serve our customers that bring the mail to us and ask us to serve them. It does mean we do not do anything to encourage that business. So, there is a floor, and we will talk more about that in a few moments.

Another alternative was to implement the partial system. In other words, we now have three buildings under construction that are principally designed for the processing of bulk mail; to go ahead and finish up the construction of these and then not go any further at this point in time.

The fourth alternative was to contract out a system similar to the national bulk mail system, and have it done on a commercial basis, instead of being operated by the Postal Service.

Then we considered, of course, the national bulk mail system being operated by the Postal Service.

Approach

- ▶ Volume Forecast
 - By Subproduct Line
 - Variations From Forecast Tested
- ▶ Revenues
 - Present Rate Proposals Only Used
 - Applied To Subproduct Line
 - Total Revenues Generated
- ▶ Operating Expenses
 - No Escalation In Wage Rates
 - Institutional Costs Fixed Regardless Of Volume
 - Attributable Costs Vary With Volume
 - Total Variable Costs Generated

Mr. CAVELL. In looking at these various alternatives, we determined volumes by subproduct line. We will show some of that development in a few moments. We tested the variations of the volume to see what effect that would have on the return on investment of any given proposal.

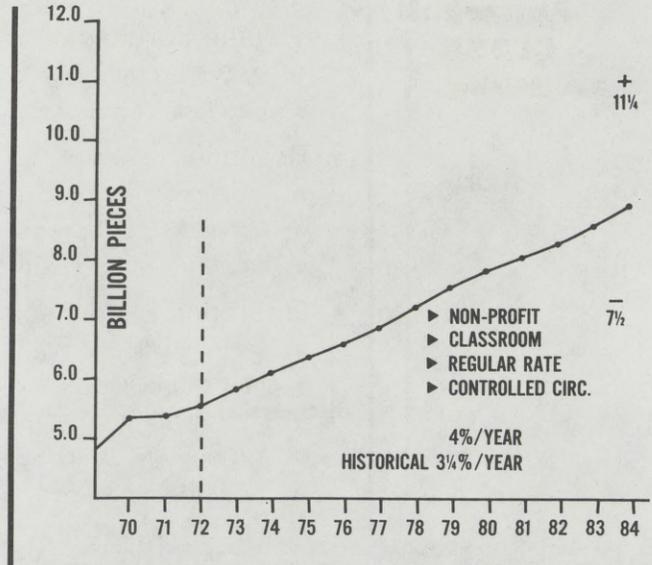
The revenues were developed by taking the present rate proposals before the Rate Commission and applying that to the subproduct line. That then developed our total revenue for the given volume in any particular year and for any particular system that was being analyzed.

The operating expenses were based on no escalation in wage rates, so we would not get into a discussion or need to be concerned about whether it was a 3½ or 5½ or whatever the rate of escalation might be.

The institutional costs were assumed to be fixed within the volume ranges we were considering for the various alternatives. They were fixed regardless of the volume applied to any given alternative.

The attributable costs would vary with the volume, and by applying accounting principles we could develop the total cost for the systems and for the various alternatives.

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Publications**



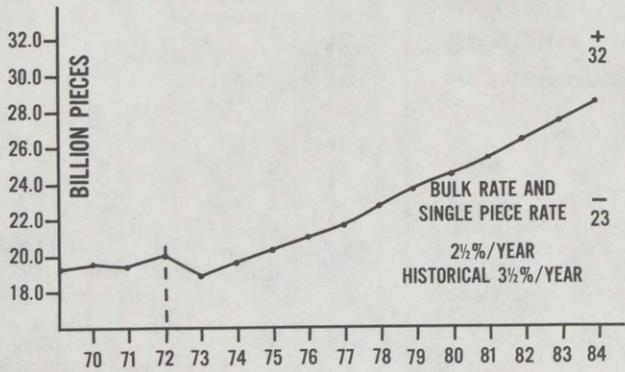
Mr. CAVELL. Looking at some of the volumes that we did use, second-class nonpriority publications are one element of the bulk mail system and considered bulk mail, this to be handled in sacks. We see from 1970 to 1972 this is the number of pieces that we have handled, and the projection from 1972 on is as indicated by this line. This is the line that is deemed to be the most likely volume on a projected basis.

The second-class nonpriority includes, of course, nonprofit mail, classroom material, regular rate second-class mail, and controlled circulation, the circulation of various professional organizations, societies, and this type of organization.

Historically, the volume grew at about 3 1/4 percent per year from 1960 to 1972. We anticipate some increase from 1972 on, principally in the controlled circulation area.

These figures are the minimum and maximum numbers that we would think would develop. That shows the range when extended to 1984.

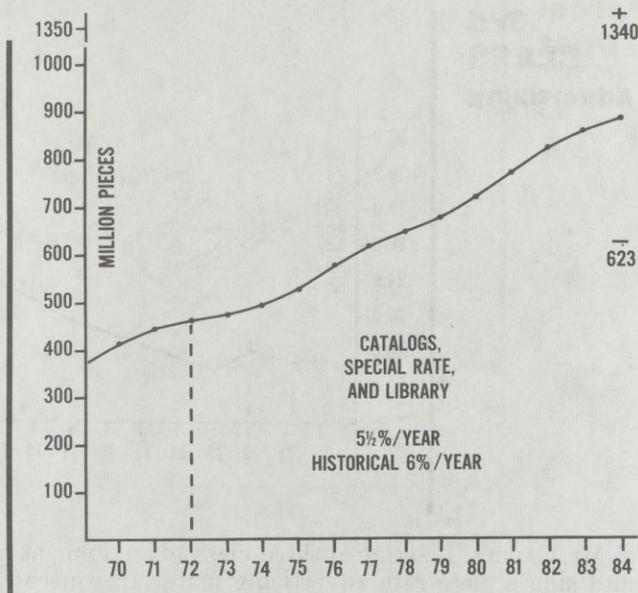
3rd CLASS Advertising



Mr. CAVELL. Looking at third-class advertisement material, bulk rate and single-piece rate advertising material, we see that from 1970 to 1972, the volume is indicated. Then we show a dip in 1973, principally reflecting the impact of rate changes.

As has been historically the case, we tend to regain the volume that we lose in a relatively short period of time, so we do show that there is a projected growth in this particular class of mail. Two and one-half percent per year was the average rate of growth from 1960 to 1972. We are anticipating from 1972 on 2½ percent per year. Historically, it was about 3½ percent prior to 1972. The reason for the lower rate is primarily due to what we believe will be the impact of significant rate changes in this class of mail.

**Other
4th
CLASS
Merchandise**

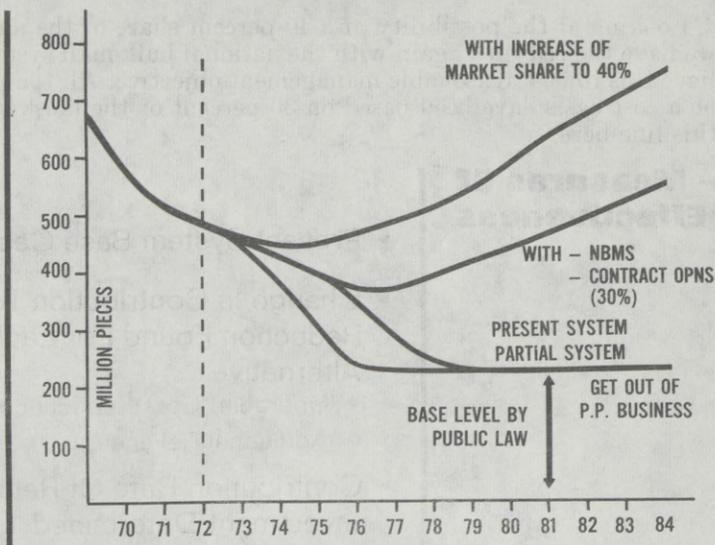


Mr. CAVELL. The fourth-class, merchandise, which is other than zone rated parcel post, including catalogs, special rate material such as films, records, books, this type of thing, and library materials. Again, from the historical standpoint, from 1960 to 1972 the growth has been about 6 percent per year. We anticipate about 5½ percent per year beyond 1972 as the most likely curve, as shown here.

The reason we show some decrease, particularly in this category, is that we anticipate continued increase in the amount of special rate mail matter, but catalogs and some of the other material will probably decrease in the years ahead, and as a result, we show a slightly less rate of growth beyond 1972 than experienced prior to that.

Again, the range is shown for the most pessimistic and most optimistic volumes.

Parcel Post



Mr. CAVELL. Looking at zone rated parcel post, we will consider the present system as one alternative. Considering that as an alternative, we show this line, which is supposed to be a green line coming down here, as the most likely projected volume based on the system being continued basically as it is today, as I explained a few minutes ago, with minimal improvements, to reduce damage, to improve the service to the maximum extent possible within basically the same facilities that we have today.

Then we get down to this floor level, which is represented by the requirements in the law that we serve the public to the extent the public wishes us to serve them. This represents that minimum level here.

Assuming that we get out of the parcel post business, as it were, then it brings this curve back about 3 years, and we show that we meet this minimum level to maintain our requirements of the law in 1976 instead of 1979. That represents the rate at which we believe our competition can get into the market and can be ready to absorb the market, because they cannot take it all overnight.

If we assume that we are to continue the basic system as it is now and only partially implement the proposed national bulk mail system, then that line would tend to follow the same line that the present system does, the reason being that we have not really impacted the system on a national basis, but have helped on only a very localized basis where the new facilities are being built.

If we assume then a national bulk mail system, and if we retain a 30-percent share of the market, in other words, go from the present 45 percent down to a minimum of 30 percent, then this black line that you see here represents the projected volumes of the national bulk mail system.

Looking at the possibility of a 40-percent share of the market, then we have the red line, again with the national bulk mail system. We believe this to be a reasonable management objective. All the projections on a cost basis have been based on 30 percent or the most likely level, this line here.

Measures Of Effectiveness

- ▶ Present System Base Case
- ▶ Change In Contribution To Deficit Reduction Found For Each Alternative
 - Operating Cost Reductions
 - Additional Revenues
- ▶ Contribution Rate Of Return On Investment Determined

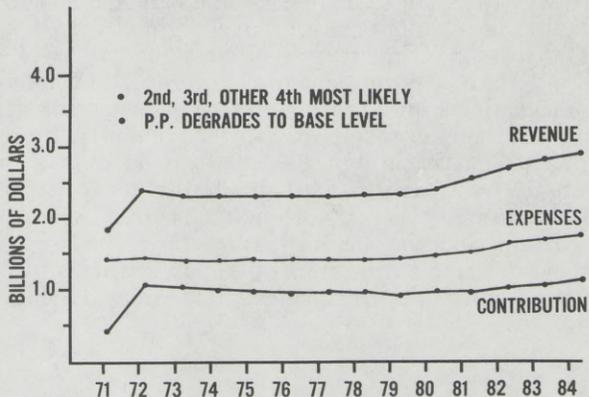
Mr. CAVELL. How do we measure the effectiveness of these various alternatives?

First of all, we establish a base case, the base case being the present system. We then measure the changing contributions to the deficit reduction for each of the alternatives, each of the five alternatives.

Cranked into that measurement of the contribution to deficit reduction are the operating cost reductions, the additional revenues that would be anticipated as a result of volume changes, and revenue changes due to rate changes.

The contribution rate of return on investment is determined with these factors as a basis.

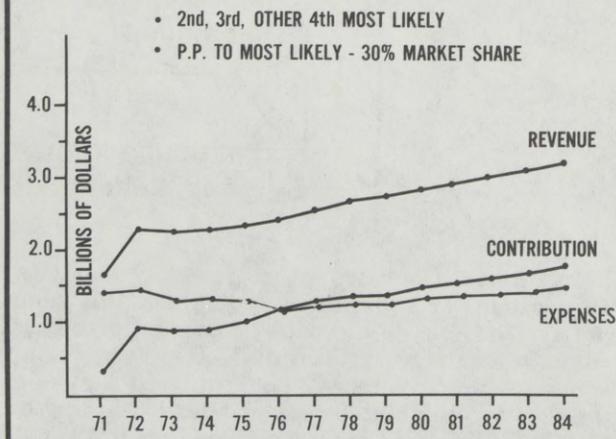
Present System



Mr. CAVELL. In the present system, we consider 2d, 3d and other 4th class as the most likely volumes, and parcel post degrades to the base level under the law. Then on that basis we show this kind of revenue curve, again assuming the approval of the rate request before the Rate Commission at this time.

The expenses to carry that volume are shown by this line, and the difference between those two lines is represented by this line showing the contribution to deficit reduction as represented by that line.

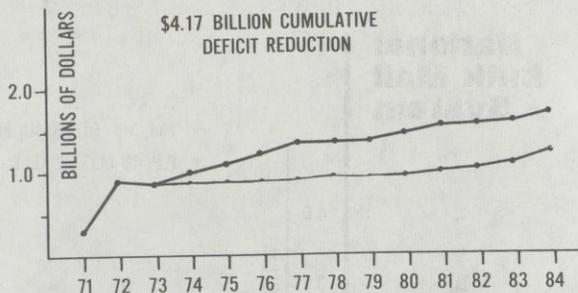
National Bulk Mail System



Mr. CAVELL. Now let us take a look at the National Bulk Mail system as one of the alternatives. Second, 3d and other 4th class mail, again, at the most likely level. Parcel post to go to the most likely level, assuming a National Bulk Mail system, 30 percent market share. Then, again, the red line shows the anticipated revenue under that set of circumstances.

The blue line shows the expenses, and shows the lesser rate of expenditure because of improved productivity, and then the contribution is this line, the green hue line. That is the contribution again, to deficit reduction.

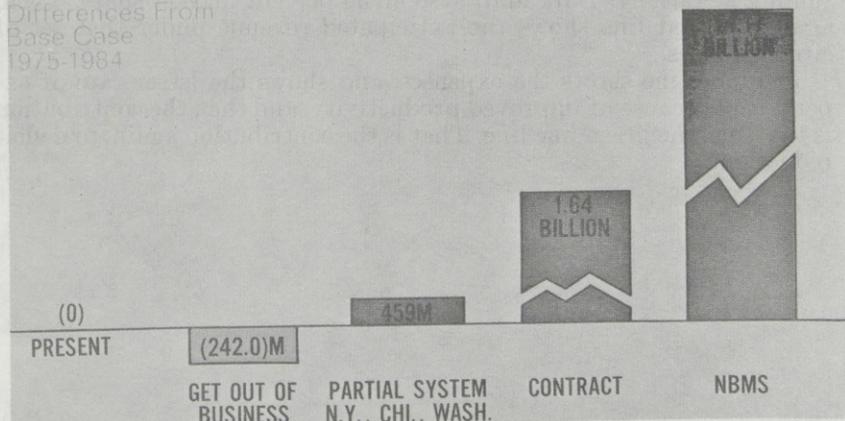
NBMS Contribution



Mr. CAVELL. Comparing the present system with the National Bulk Mail system, we show these two curves, this being the curve for the contribution for the present system; this being the curve for the contribution for the National Bulk Mail system. The area in between those represents the difference. That difference amounts to \$4.17 billion cumulative contribution to deficit reduction for the period 1973, when the first Bulk Mail Center comes on line, to 1985.

Summary Of Alternatives

Cumulative Contribution
Differences From
Base Case
1975-1984



Mr. CAVELL. We went through the same kind of analysis for each one of these alternatives and came up with a comparison to the base case, the present system. This is a summary of those comparisons.

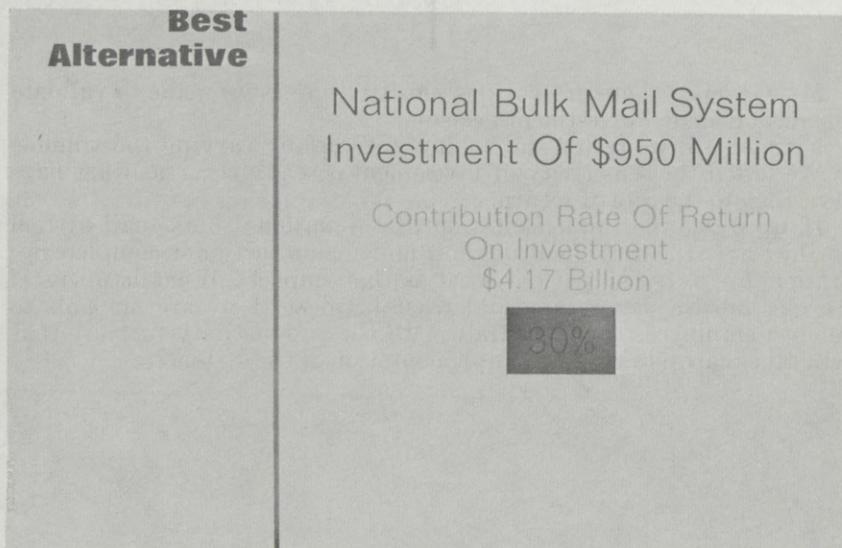
The present system represents the base line or zero point.

Getting out of parcel post business shows that we add to the deficit about \$242 million during this period up to 1985. That is because we do not get the advantage of rate increases to the same extent because we lose more volume sooner in this set of circumstances.

Partial system implementation, then, with New York, Chicago, and Washington, shows a \$459 million contribution to deficit reduction.

Then if we operate by contract instead of using Postal Service personnel and the national bulk mail system, we have a \$1.64 billion contribution.

Of course, with the national bulk mail system, the same figure we showed a moment ago, \$4.17 billion contribution to deficit reduction.



Mr. CAVELL. The best alternative for the Postal Service is the National Bulk Mail system, with a capital investment of \$950 million, and the contribution rate of return on investment will be 30 per cent.

Factors Affecting Investment Decision

- ▶ Volume Forecast
- ▶ Investment Cost Growth
- ▶ Delay Until N.Y.-Chicago-Wash.-1 Year Operation
- ▶ Labor
 - Escalates
 - Attrition Does Not Remove Labor Immediately

Mr. CAVELL. There are various sensitivity tests we made to validate the recommended investment decision.

First of all, we tested the volume forecast by varying the volume.

We tested the sensitivity of investment cost growth, and what happens then to the rate of return.

If we delay the implementation of the national bulk mail system until we have the three facilities now under construction in complete operation for a 1-year period, what is that impact? What happens if we escalate the labor rate, and what happens if we are not able to remove employees commensurate with the productivity increase that will take place as a result of implementation of the system?

Volume Sensitivity Analysis

Base - 30% ROI - NBMS
Contribution \$4.17 Billion
Cumulative

1. All Volumes Increase 10%
NBMS ROI 33% - \$4.58 Billion Cumulative
2. All Volumes Decrease 10%
NBMS ROI 28% - \$3.78 Billion Cumulative
3. NBMS Enables USPS To Attain
40% Of Parcel Post Market By 1984
NBMS ROI 34% - \$4.90 Billion Cumulative
4. NBMS Volumes Made Equal To
Lower Present System Volumes
NBMS ROI 18% - \$2.19 Billion Cumulative

Mr. CAVELL. Looking at some of the sensitivity factors, again the base case for this analysis is the rate of return for the National Bulk Mail system, the cumulative contribution to deficit reduction is \$4.17 billion, as indicated earlier.

If all volumes increase 10 percent, the rate of return on investment then would increase to 33 percent, with a \$4.58 billion cumulative contribution for the entire period to deficit reduction.

If all volumes decrease 10 percent, the national bulk mail system return on investment goes down to 28 percent, with \$3.78 billion cumulative contribution to deficit reduction.

Suppose, which we believe to be true, that the national bulk mail system enables us to obtain a higher level of participation in the parcel post market and to that 40-percent level that we indicate here, then the rate of return would be 34 percent, with a \$4.9 billion cumulative contribution to deficit reduction.

If the volumes in the national bulk mail system are made equal to the lowest present system volumes, which we believe to be the worst case because that does represent the floor, then the rate of return would reduce to 18 percent, and only a \$2.19 billion cumulative contribution.

Investment Sensitivity Analysis

1. Investment Cost Exceeds Estimate By 50%
NBMS ROI 20%
(Contribution Same)
2. Delay Start Of NBMS Until N.Y., Chicago And Wash. Operate For 1 Year
Complete System 1979
ROI 11% - \$1.46 Billion Cumulative
Foregone Deficit Reduction - \$2.94 Billion

Mr. CAVELL. The sensitivity from an investment standpoint if the costs of the system increase 50 percent because of escalation of labor, material costs, and all these factors, then the rate of return goes down to 20 percent. The contribution remains the same because the productivity does not change, but the costs to get the system on line go from about \$1 billion to \$1.5 billion, and that, of course, affects the rate of return.

If we delay the start of the system until New York, Chicago, and Washington, D.C., are operating and on line for 1 year, that delays our completion approximately 4 years, and then we have foregone improvements in contribution and, as a result, we have a contribution of only \$1.46 billion to the deficit reduction for the period of 1985, and our rate of return reduces then to 11 percent.

Our foregone deficit reduction, then, is \$2.71 billion under that set of assumptions.

**Labor Cost
Sensitivity
Analysis**

Labor Escalates At 5.5% Annually
NBMS ROI 33% - \$4.52 Billion

Delayed Cost Reduction Due To Inability
To Reduce Personnel
— 45% Of Cost Reduction First Year —

NBMS ROI 29% - \$4.1 Billion

Mr. CAVELL. Labor sensitivity as represented by labor escalating at the rate of 5.5 percent per year, the rate of return goes to 33 percent and a \$4.52 billion contribution. This goes up because the cost of labor goes up, and that is the important factor in our cost avoidance and savings as a result of implementing the system.

Delayed cost reduction due to the inability to immediately transfer people out or immediately take advantage of attrition for lowering our rolls as a result of implementation of these facilities, assuming that we can only get 45 percent reduction in personnel in the first year of operation of the system instead of the 90 percent level, the national bulk mail system return on investment would go to 29 percent, and the contribution would drop down to \$4.1 billion, or a \$700,000 reduction.

**NBMS
Attributes**

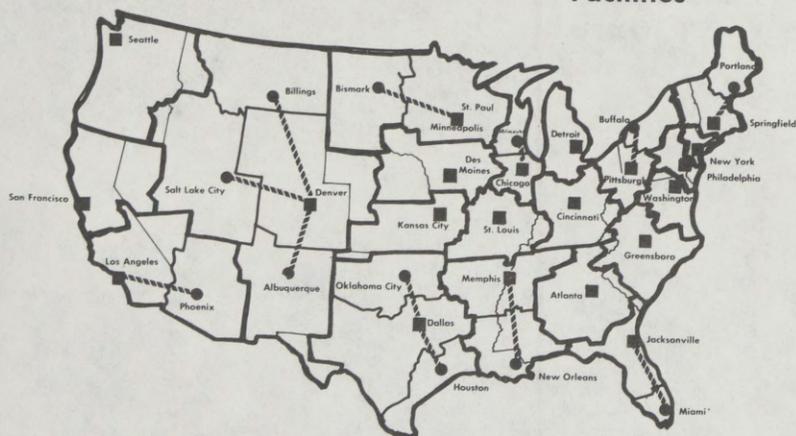
1. Separate Bulk Mail System
2. Integrated Network
3. Central Processing
4. Standard Design

Mr. CAVELL. How do we solve these problems and what is our recommendation?

NATIONAL BULK MAIL SYSTEM ATTRIBUTES

First of all, that a separate bulk mail system be established, that we have an integrated network, that we go to central processing to get the efficiencies and economies of size and increase productivity by a significant amount, and that we standardize on design so we minimize capital costs and minimize the implementation period, which is important.

NETWORK CONFIGURATION : ■ 21 Bulk Mail Centers
 ● 12 Auxiliary Service Facilities



Mr. CAVELL. The national bulk mail system is represented by 21 bulk mail centers shown here by the yellow squares. There are 12 auxiliary service facilities represented by the yellow dots. Every service facility is directly related and connected to a specific bulk mail center.

So, the hubs, the nodes in the system are the 21 bulk mail centers. The service facilities were put in there for the purpose indicated, for service improvement.

By doing this, we then can take the mail that generates in any given service area into this service center and process it, to take out that mail that remains in the area of origin so we get minimum turnaround time and get the mail to our customers in the area of origin as quickly as possible. The remaining mail would be distributed to the bulk mail centers and go through the transportation system to the 21 bulk mail centers.

We will go into a little more discussion of some of the other attributes of the system, remembering the service center is to get out that turnaround mail which represents about 25 percent of the originating volume. If you take a specific area, you may find the percentage varies slightly.

System Processes Bulk Mail Only

4th Class

Parcel Post ----- Pieces
Other (Catalogs, Special Rate) --- Pieces/Sacks

3rd Class

Circulars, SPRs ----- Sacks

2nd Class

Non-Preferential ----- Sacks/Bundles

Unique Characteristics

- Mechanization
- Transportation
- Service

Mr. CAVELL. What are the elements of bulk mail as considered in this system?

First of all, fourth class, zone rated parcel post and the other fourth-class mail, these being handled principally in pieces and in some cases in sack. Third class, circulars, small parcels, and rolls, handled practically all in sacks in this system, not on an individual piece basis. The individual piece distribution will be done through the preferential mail system.

Second class is nonpreferential in this system. This is handled in sacks and in bundles when given to us by our customers in this form.

The unique characteristics for this kind of mail make it fit the bulk mail definition. From a mechanization standpoint it requires a special kind of mechanization. It requires surface transportation, by and large, in order to be competitive and cost-effective.

Of course, the service requirements on this kind of mail are different than for preferential mail.

Integrated Network

73 Shipping Points → Reduced To 21
 No Intermediate Processing Points
 (Handlings Reduced 2.5 → 1)
 Economic Shipping Quantities



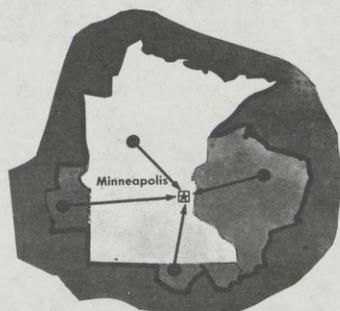
Mr. CAVELL. It is an integrated network. We now have 73 principal shipping points across the country. At most of these shipping points we do some processing. We are going to reduce those to 21. We will have no intermediate processing, once the mail has gone through its originating bulk mail center. Then it will be put in the transportation system and transported to the destinating bulk mail center.

Here we show Washington, D.C., taking the originating mail in the Washington area and distributing it for the service area, and then to the 20 remaining bulk mail centers, and going through the transportation system to those centers.

This system, then, effects a reduction in handling of the order of magnitude of $2\frac{1}{2}$ to 1. We will be able to get more concentrated shipping quantities because of concentrating the handling at one point, and be able to take more advantage of the cube of the vehicle and, hopefully, through that means to lower costs and improve service.

Bulk Mail Concentrated At BMC For Processing

No Sorting At Local Level



- Higher Volumes → Mechanical Assistance
- Systematic Sorting By Zip Code
- Low Unit Processing Cost

Mr. CAVELL. The concentration of mail in a bulk mail center service area is indicated by this diagram, showing Minneapolis-St. Paul service area, where by the concentration we get higher volumes and can therefore justify much more and higher orders of mechanization.

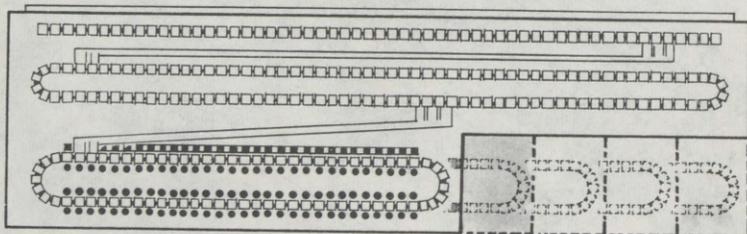
All the bulk mail—it is principally parcel post we are talking about at this moment—that originates in this service area will come into this bulk mail center for processing and distribution to the other 20 bulk mail centers, as well as distribution to the offices of delivery within the service area. So, the turnaround mail will be taken out and distributed to the fifth digit level of the zip code for delivery to the delivery units in the service area.

The system will sort by zip code and take full advantage of that down to the fifth digit level. The only sortation that is required out in the service area is to the carrier route. All other sortation would be done at the bulk mail center.

This drastically affects the unit processing costs, reducing them very significantly; in other words, almost a 4-to-1 reduction in the processing costs.

STANDARD DESIGN**Basic Building Block Constructions****Variable Sorting Capability**

Typical Sort Range 821 ← → 2769



Total 5 Digit Zip Code Sorts

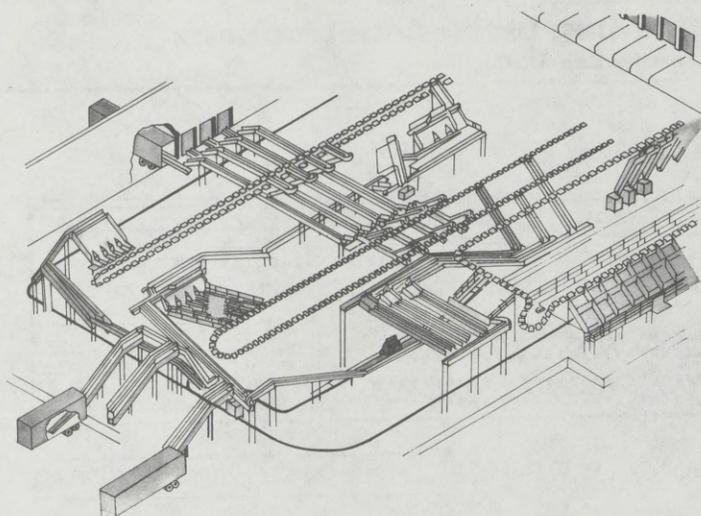
1300	1684	2068	2452	2836
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Mr. CAVELL. From the standardization standpoint, we have standardized on mechanization and standardized on the buildings. This shows the typical layout for a primary sack sorting and primary parcel sorting here. This is the secondary parcel-sorting area.

In order to take care of the variations in sorting requirements between facilities and between service areas, which range from about 800 to 2,800, we designed a modular building and modular system so we can add to the basic sorting system.

The basic sorting system has 1,300 sorts in it. The zip code or number of sorts as indicated goes as high as 2,800. In order to get that, we add 4 modules to this building and to the mechanization in it. For each module that we add to the building, we get 384 additional sorts.

Key Equipment Now In Use



Mr. CAVELL. The typical system, then, looks like this from a schematic standpoint. This is the receiving or in-bound dock. This is the out-bound dock up here. The mail is brought in in most cases by trailer, in some cases by standard over-the-highway truck. The brown system is for receiving sacks, and the input to the sack sorter which is shown here.

The blue is the input to the loose parcel system. This is the primary induction area for the loose parcel system.

Here is the primary parcel sorter. Here is the secondary parcel sorter.

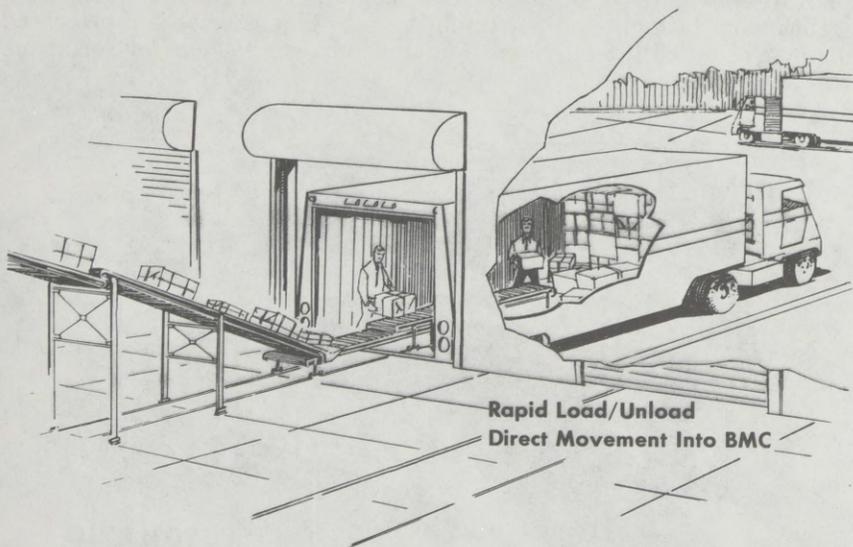
Sacks can be distributed directly to the trucks. These go to the out-bound trucks. The sorter will deliver to the sack shakeout unit where we will have to take the material out for individual piece distribution in the parcel system.

This is the carousel primary parcel sorter which delivers directly to the dock for high-volume loads. Most of the loads going to the other bulk-mail centers will be bedloaded and bricklaid in the truck. It will go into the truck the way UPS does it. So, the high volume goes directly out to the dock with no further distribution required.

The lower volumes will go to containers or into the secondary system. The secondary system then will sort to containers and to sacks. Somewhere between 60 and 70 percent of the parcels handled in this system will go out in containers or bedloaded and bricklaid in these trucks without going into a sack. So 30 to 40 percent of it ends up in a sack which drastically reduces the sack-handling requirements.

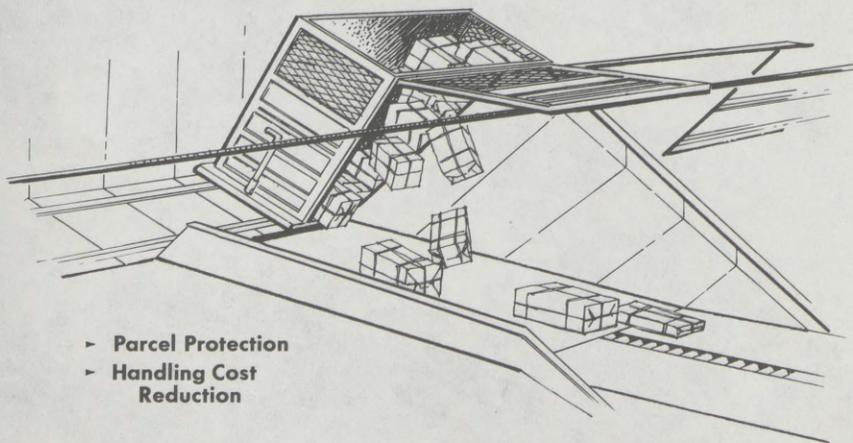
We have shown here that the secondary parcel sorter, in order to get the high sort capability and effective utilization of the mechanization, can handle a number of different sortation schemes. In the bulk-mail system we have seven different sortation schemes that can be handled on the secondary sorter. These conveyors represent the surge systems for holding mail for sort schemes 2 through 7, as scheme 1 is being sorted.

CONVEYORS EXTENDABLE INTO TRUCKS



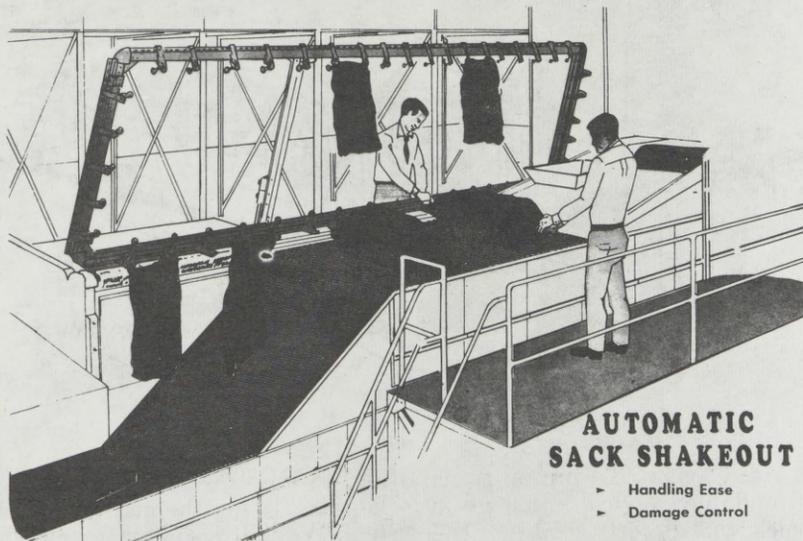
Mr. CAVELL. To minimize handling, to minimize fatigue, we have extendable conveyors that go into the truck to get the mail out of the truck and directly feed into the system. We will also have extendable conveyors that will deliver the mail into the truck so there is a minimum amount of handling required on the part of the employee. It gives us much more rapid turnaround time in getting the trucks up to the dock and getting them out, and, of course, direct delivery into the system.

EXTENSIVE CONTAINER USAGE



- > Parcel Protection
- > Handling Cost Reduction

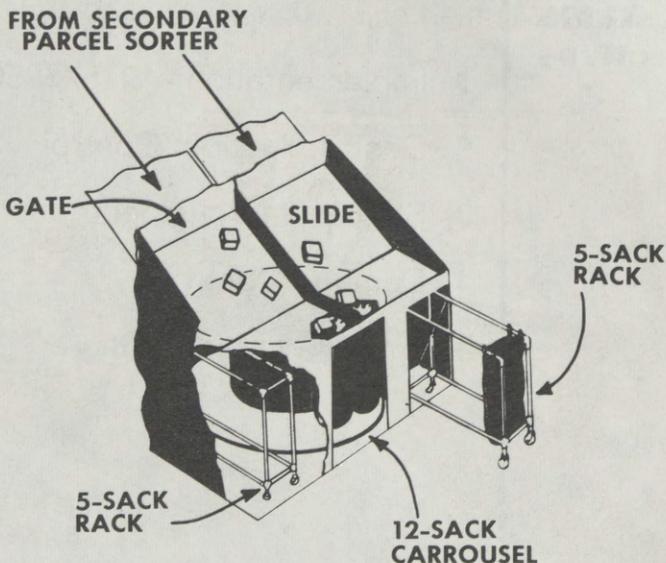
Mr. CAVELL. The containers will be automatically unloaded. We will discharge the load out of these containers so they come out in a gentle flow fashion, and not tumbling out. This is what is represented here schematically, delivered into the conveyor system for sortation.



Mr. CAVELL. We have the sack shakeout unit here for unloading the sacks. It takes two employees. Again, we have an inclined plane so the mail will flow out and not tumble out, and minimize damage in this handling.

The primary benefit of this system is dust control and reduction of fatigue to the employee.

TIME SHARED SACK RACK CONFIGURATION



Mr. CAVELL. For time sharing, which is using seven different sorts on that secondary sorter, we have a slide for each discrete or individual zip code for six of those time shares. We have a corresponding sack that will automatically come up to this hole in the slide for the appropriate zip code that is being sorted at a particular time on the secondary parcel sorter. Parcel for six of the time-share sort schemes will go directly into a sack with no further sortation required. There may be a little handling required in order to fill up the sack, since all parcels will not go directly into the hole and fill up the sack.

During sortation of the seventh time share on each of these slides there can be as many as five zip codes. That is why we have the sack rack here. For the seventh time share, we would pull out this sack rack and we can load any one of five zip codes into its particular sack. That is the only processing required on a manual basis in the entire system.

These volumes are extremely low—as little as one parcel a week on an average basis and in most cases less than one parcel per day.

Mr. CAVELL. The objectives of the national bulk-mail system are:

**NBMS
Objectives**

1. Implementation - 1975/\$950M
2. Cost Reduction/Control
3. Service Improvements
4. Damage Control
5. Improved Market Share

NATIONAL BULK MAIL SYSTEM OBJECTIVES

To implement the system by 1975 at a cost not to exceed \$950 million;
To have effective cost control and get cost reductions because we will have controlled environments in which we are working and can measure much more effectively than today;

To obtain significant service improvements to our customers;

That the damage control will be effective and will be competitive and down to a very minimal level; and

That we will improve our market share as a result of these improvements.


**Efficient
Operations**

Capital Investment - \$950,000,000
Buys Us

1. Modern Efficient System
2. Improved Customer Service
3. Upgraded Employee Environment

Mr. CAVELL. The capital investment is \$950 million for a much more efficient and modern system than we have today. Improved customer service and the upgrading of the environment for the employees.

The Postmaster General talked about our present program for immediate environmental improvement in our existing facilities. This is a furtherance of that program.


**Cost
Savings**

Yearly Cost Savings
1971 (No Labor/Volume
Cost Increase)
\$309M (24.1%)

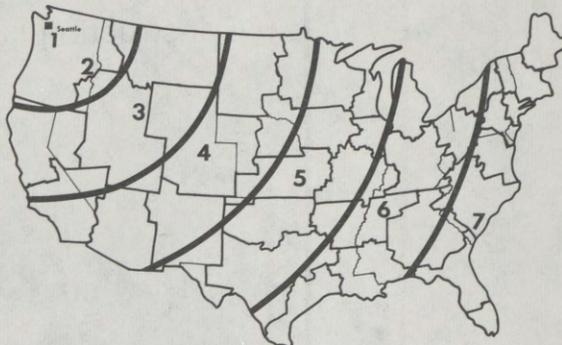
Mr. CAVELL. The cost savings that are anticipated on a cost reduction basis—not on a revenue and cost reduction basis but only on cost re-

Mr. CAVELL. The national basis, then, looking again at our example that we used before, from St. Louis to Denver, 4 days to get 95 percent of that mail delivered, and there is virtually no range, showing the very high degree of consistency that is obtainable through this system.

National Bulk Mail Service

(95% Volume Delivery)

Delivery Within 7 Days



Mr. CAVELL. To go across the country, taking Seattle as an example, 2 days for the Seattle area, and to get across the country to the other coast the maximum is 7 days.

Damage Control

- ▶ Fewer Handlings
- ▶ Mechanical Design (9")
- ▶ Management Attention

Mr. CAVELL. Damage control as a result of significantly fewer handlings—we indicated $2\frac{1}{2}$ to 1 order of magnitude reduction.

Mechanical design of the system is such that there will be not more than a 9-inch or equivalent free fall in the system for loose parcels, and not more than 12 inches for a sack. And we have dedicated management attention to this class and kind of mail

Program Status

- ▶ Capital Program
- ▶ Mass Procurement
- ▶ Implementation Schedule
- ▶ Construction

PROGRAM STATUS

Mr. CAVELL. Today we have a mass procurement program underway to minimize costs from the procurement of mechanization standpoint. We are completely designed as far as our mechanization equipment is concerned. We will show you something here of where we stand right now in terms of implementation of the system itself, and what the construction schedule will be

\$950 Million Capital Investment

Millions Of
Dollars

Site	63.20
Mechanization	406.22
Building	375.27
Additional Costs	105.31
Total	950.00

Mr. CAVELL. First of all, to show the distribution of the \$950 million: \$63 million of that is for site acquisition; mechanization, the cost of the equipment in these buildings, about \$406 million; the buildings themselves, \$375 million. This shows the very heavy emphasis on mechanization and reduction of the labor component.

Today we have 15 to 20 percent of the mail operations from the processing standpoint handled by mechanization, and the remainder is done manually. With the implementation of the national bulk mail system for bulk mail, then, the mechanization will affect 80 to 85 percent of the volume going through the facility, and only 15 to 20 percent handled manually.

We have inverted the mechanization and the labor components over the present system.

The additional costs related to this system for engineering, containers, improvements to existing facilities to be able to handle containers, and larger truck, dock improvements, and so forth is \$105 million.

For a total of \$950 million.

Mass Procurement

- ▶ Maximum Competition
- ▶ Lowest Cost
- ▶ Uniformity Of Components
- ▶ Assured Availability

Mr. CAVELL. Mass procurement will give us maximum competition because we are able to put discrete kinds of mechanization into packages that have significant volume.

For instance, motors would be in one package. Another package would be belting, and so forth. We will see a little more of the detail in a moment.

Increasing the competitive atmosphere and competitive capabilities should definitely lower our costs, and also give us a higher degree of uniformity in our components, because we get more of our supplies from a single source of supply.

Also, by widening the base through increased competition will give us assured availability of the equipment within the short time frame, to 1975.

Mass Procurement

Mechanization Packages	Capital Requirement
Item	(\$000)
Motors	4,500
Drives	7,000
Belting	6,000
Holders	3,125
Sack Loaders	800
Shakeout Units	1,300
Roller Tables	300
Metering Rollers	625
Deflectors	2,750
Conveyor-Out	4,000
Conveyor-General	42,500
Conveyor-In	4,000
Slides	1,750
Chutes	16,625
Cones	65
Loaders	15,000
Unloaders	1,470
Containers	24,000
Sorters	20,500
Computers	15,000
Induction Units (High Speed)	11,500
	<u>\$182,810</u>
Contingency	9,190
	<u>\$192,000</u>

Mr. CAVELL. Here are the 21 packages of mechanization. There is no relationship between these 21 packages of mechanization and 21 plants. That is strictly coincidental. Actually, these 21 packages will be for the mechanization in 19 plants. We will be buying motors for 19 plants here. The two that are not included are New York and Chicago, which are special facilities. They were developed at the same time we were developing the standard packages. We got those out on the market before the standard packages were complete.

You can see here metering rollers, deflectors. All of these are very similar kinds of mechanization in any given package so the producer can really set up a production line to do the job.

Estimated total cost for the mechanization procured on a mass procurement basis, \$192 million. The remainder of this from \$192 million to \$406 million, as I recall the number, is for the installation of this mechanization and for that special mechanization which will have to be procured for any given facility due to unique situations in that facility.

Implementation Status

Center

New York	•	•	•	•
Chicago	•	•	•	•
Washington	•	•	•	•
Pittsburgh	•	•	•	•
Atlanta	•	•	•	•
Dallas	•	•	•	•
Los Angeles	•	•	•	•
Minneapolis	•	•	•	•
St. Louis	•	•	•	•
Memphis	•	•	•	•
Jacksonville	•	•	•	•
Springfield	•	•	•	•
Philadelphia	•	•	•	•
Kansas City	•	•	•	•
Seattle	•	•	•	•
San Francisco	•	•	•	•
Detroit	•	•	•	•
Denver	•	•	•	•
Des Moines	•	•	•	•
Cincinnati	•	•	•	•
Greensboro	•	•	•	•

- Site Selection
- Modular Adaptation
- Detailed Design
- Under Construction

All BMCs Operational:

1975

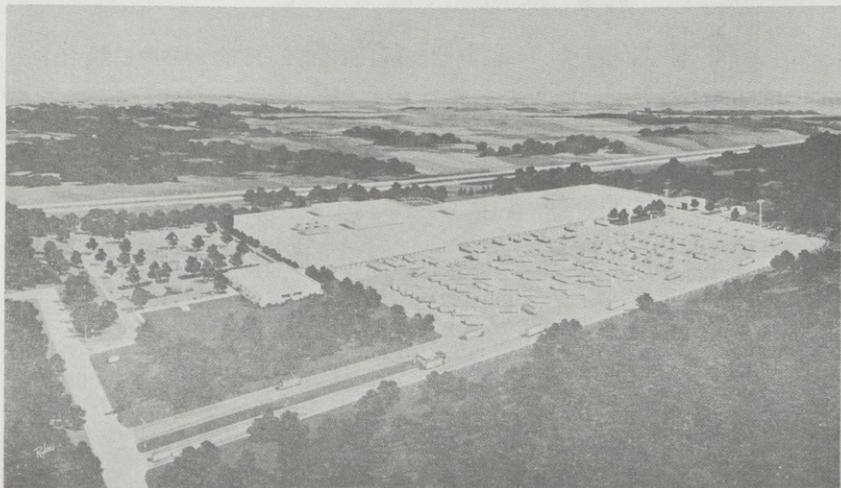
Mr. CAVELL. The implementation status is that all the sites have been selected and site acquisition is proceeding on all sites. The detailed design is underway for all plants. We have made the modular adaptation of all of the standards and the modular concepts so now the detail design is underway for all of the 21 plants. Three of them are actually under construction, New York, Chicago, and Washington. The entire system is to be on line and in operation in 1975.



Mr. CAVELL. This is an overview of the New York skyline and of the Secaucus facility. The area that you see here, the lighter area, is 110 acres. This oblong building is the foreign mail processing plant, about 800,000 square feet. This square building is the bulk mail processing plant, approximately 600,000 square feet.

In between the two is the administrative office section for both operations.

The total square footage under roof here is approximately 1,400,000.



UNITED STATES POSTAL SERVICE WASHINGTON DC BULK MAIL CENTER

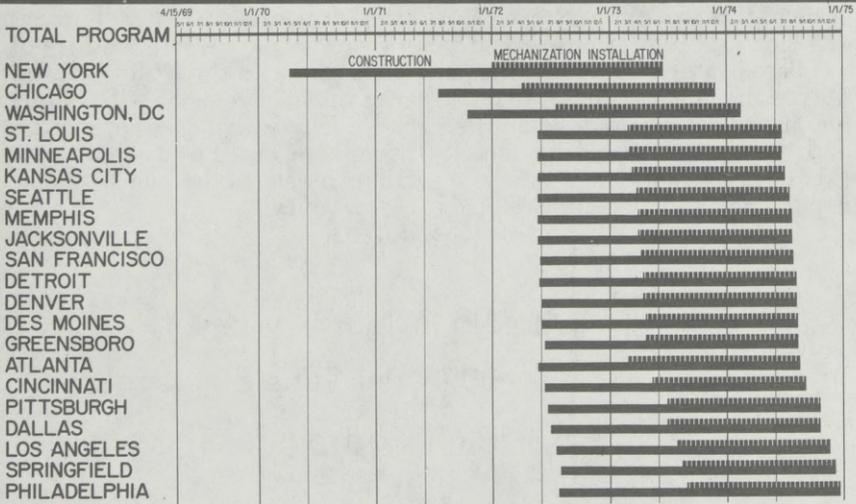
GIFFELS ASSOCIATES INC

Mr. CAVELL. This is the artist's conception of the Washington, D.C., plant, which is one of the standard plants or one of the standardization and modular efforts. There will be 19 plants that will look very similar to this.

The part of the building that expands as the sortation requirements change and expand between facilities is the portion you see up here. This represents the marshalling yard for the inbound trailers and outbound trailers. No storage of mail will take place within this facility, it will take place within these trailers outside of the facility, and this area is for customer and employee parking.

There is controlled access to these facilities. You can see the representation here of the entrance gates and the fences in order to achieve controlled access so we know who is coming up to this plant and what their business is. This will significantly impact our depreciation problem, and we have worked very closely with the inspection service in developing what we believe to be an effective control for each plantsite.

Bulk Mail Center Mechanization Installation And Construction Completion Schedule



Mr. CAVELL. Here is the implementation schedule showing the first three, New York, Chicago, and Washington, D.C., the remaining 18 for completion in 1975.

Impact On Personnel

- ▶ Labor Agreement
- ▶ Precedents Set In Past Moves
- ▶ Approach
- ▶ Total Personnel Involved

Mr. CAVELL. We do have personnel problems certainly, and we do have personnel considerations that are very significant in a system like this where we will significantly reduce the number of personnel working on bulk mail processing. We have to work within the confines of the labor agreement which was signed last year.

The precedents for these kind of moves have already been established because we have done similar things in Prince Georges County. When we drastically reduced our railroad operations and our railway postal systems there were up to about 7,000 people impacted by that. Through attrition and relocations and so forth these people were taken care of.

There is a precedent for this and it is not new to the Postal Service. Maybe the magnitude is a little larger than we have dealt with before, but there is a means for handling it. We know what the approach is and we are working very closely throughout the Postal Service on this entire situation. There is a total involvement by the personnel department and all people related to this activity.

Labor Agreement

1. No Involuntary Layoffs
2. 90% - Full Time Employees
3. Right To Transfer To Vacant Assignment
4. Minimize Inconvenience To Career Employees
5. Inform Unions At Earliest Practicable Time

Mr. CAVELL. The labor agreement specifies there be no involuntary layoffs particularly as the result of installation of mechanization. Most of the offices impacted are operating at the 90-percent full-time employee level. So there are only 10 percent of the employees that are temporary or casuals.

There is a right to transfer to a vacant assignment in the agreement and that has to be taken into consideration in making transitions and transfers of personnel. We are going to minimize the inconvenience to the career employees in terms of the distance they have to go or transfer.

We are informing the unions at the national level concerning the overall impacts and implications of the national bulk mail system.

Past Moves

- ▶ Inform Union
 - General Information 12-6 Months Before Move
 - Approach
 - Standards
 - Total Impact
 - Specific Information 6-3 Months Before Move
 - Impact By
 1. Post Office
 2. Craft
 3. Name

Mr. CAVELL. We will inform the unions at the regional and local levels 12 to 6 months before the move is to take place of the approach that will be taken in specific cases, the standards to be applied and the total impact anticipated for that particular facility. Specific information as to who will be affected and what jobs will be affected in any given post office will be done in 6- to 3-month periods prior to the activation of the particular unit.

NBMS Manpower Planning

- ▶ Define Operations
- ▶ Develop Work Standards
- ▶ Staffing Plans
 - Work Groups
 - Span Of Control
- ▶ Training Plans
 - Craft/Self Improvement
- ▶ Motivation
 - Product Identification
 - Dedicated Work Groups—No Shifting
 - Opportunity For Advances

Mr. CAVELL. We have defined the operation, we have developed work standards, staffing plans are being developed now and being worked on in close conjunction with personnel. Training plans are in the process of being developed and the motivation aspects are being very carefully considered so we get favorable attitudes.

Representative Problem

BMC REQUIREMENT
470

OFFICE	TOTAL # CAREER	# CAREER AFFECTED
CAMDEN	688	32
ATLANTIC CITY	160	11
TRENTON	582	22
BINGHAMTON	251	24
HARRISBURG	830	137
LANCASTER	244	13
WILLIAMSPORT	97	8
SUNBURY	56	6
POTTSVILLE	51	5
HAZLETON	67	5
SCRANTON	286	39
WILKES-BARRE	244	22
DOYLESTOWN	59	6
PHILADELPHIA	6,995	318
PAOLI	75	4
READING	228	18
WILMINGTON	493	17
DOVER	60	5
LEHIGH VALLEY	95	20
	11,661	712
OTHER 619	7,339	310
TOTAL	19,000	1,022

Mr CAVELL. This is an example of the Philadelphia area where there are in the crafts that are concerned about 19,000 employees total for the whole area. There will be 1,022 of these employees impacted by the activation of the Philadelphia bulk mail unit.

There are about 612 of the 1,000 people that will operate the Philadelphia unit, so we are working with this 1,000, not the 19,000. It is the 1,000 that will be impacted.

The facts are that labor grades basically impacted by the implementation of the system are grades 4, 5, and 6. There are 600,000 people in these grades in the Postal Service at this point in time. We will impact about 13,000 of those or 2.2 percent. The rate of attrition on a national basis today is about 10 to 12 percent. It may well go down but this is the best estimate of what we think we will be working with up to 1975.

In review, the national bulk mail system then is the best solution for bulk mail processing. It gives us good opportunity for mechanization, we can effect an effective transportation system, can develop improved service and reduce damage significantly and make the maximum contribution to deficit reduction for a program that has been approved at \$950 million capital investment.

Thank you very much, gentlemen.

POSTMASTER GENERAL'S REMARKS TO SERVICE

Mr. STEED. General, recently after taking over full charge of the Department you made a very outstanding speech to all the postal employees of the country. Are you in a position to provide us with that discussion?

Mr. KLASSEN. Yes, we are, Mr. Chairman. It will take about 12 minutes. We appreciate this presentation has been quite long and we are ready to do it anytime you wish.

Mr. STEED. Why don't you do it now and then make some comments on the employee reaction since you have had a little history?

(The talk follows:)



Complete transcript of remarks by
Postmaster General E. T. Klassen
to the management of the
United States Postal Service

March 28, 1972

(Announcer: On March 28, 1972, Postmaster General E.T. Klassen addressed an important policy statement to the top management of the United States Postal Service. Although the remarks were directed specifically to management, they are reproduced here so that every employee in the United States Postal Service may hear the statement directly and understand its meaning and importance.)

Postmaster General E. T. Klassen

During the 10 weeks that I have been Postmaster General, I have been making a systematic review of everything the Postal Service does.

I regret having to use this mechanical means of discussing with you some of my concerns, but I am sure you will understand that it is not physically possible to meet personally with all of our people.

During this period, I have talked with and listened to a large number of postal managers and postal employees at all levels of responsibility. I have spent a considerable amount of time with many important customers and concerned citizens. I have also visited with key Congressional leaders and representatives of the news media, and I have had numerous and extensive meetings with many of our key managers.

Today I want to discuss some of the long-range concerns that must be dealt with by postal management, at all levels, and then to provide you with some policy direction for dealing with some of these concerns.

Let me review some background information.

In 1970, Congress passed the Postal Reorganization Act, and I know that the primary factor that led Congress to approve this legislation was the conviction and determination that was expressed by management that we could do two things: First, that we could provide better service; and second, that we could bring costs and revenues into balance. Achieving these two

things simultaneously is a challenge that will be the crucial test of our managerial skills.

As part of my review of the Postal Service, I have taken a long, hard look at where we are today and where we will be in 1984. That's the year that Congress expects us to be self sufficient.

We have an immediate obligation to provide high quality service, but our costs are rising. 85% of our total operating expenses this year are labor and employee benefit costs. Our budget for 1973 requires an additional \$450 million rate increase, but every rate increase faces an angry outcry from the public.

Looking ahead to 1984—when our annual volume will approximate 125 billion pieces of mail—my greatest concern is that if things continue as they are—if we don't change the way we manage our business—our accumulated deficit between now and 1984 will be \$38 billion. Throwing into the mix all of our present programs, the projected rate increase, the implementation of the nationwide bulk and preferential mail systems—and even if they are as efficient as projected—they will only reduce the accumulated deficit to \$20 billion.

What options do we have? What are the possible ways that we can eliminate the remaining \$20 billion deficit, and still give high quality service?

First—very significant cost reductions.

Second—additional mechanization systems.

Third—substantial income from new services.

Fourth—additional rate increases.

I'd like to deal with that last point first since it is most important.

First-class postage varied only 1¢ during the 95 years prior to 1958; during the last 14 years it has inched up from 3¢ to 8¢. We must all recognize that Congress, the news media, and our customers are not sympathetic to rate increases. In addition, we are now encountering increasingly stiff competition from many sources.

In first-class mail, some utility companies are experimenting with delivering their own bills. In second-class, we expect increasing competition from businesses in the field of transportation.

In third-class, our competition comes in the form of a diversion of this type of potential revenue to other advertising media such as newspaper inserts and unaddressed circulars that can be delivered by firms like the Independent Postal Service of America.

In fourth-class, our competitors are United Parcel Service, Greyhound, American Airlines, and a host of similar delivery-type service firms. United Parcel alone did \$650 million in business in 1970 and earned in excess of \$35 million in profit. All of this was business that was formerly ours.

I made some rough calculations involving one of our major customers, who is today giving serious consideration to the feasibility of delivering his own publications. Their decision, not ours, could result in the elimination of thousands of Postal Service jobs. The magnitude of such "competition" cannot be ignored.

If I were the head of a big company in the private sector and one of my suppliers was not providing the type and kind of service at realistic costs that I needed—I, too, would consider taking my business elsewhere.

I've encountered, in far too many instances, an attitude on the part of some of our people at various levels of responsibility, that since they feel that we already have more mail than we can handle, why should we worry about competition?

Well, it appears that the volume of mail is being affected. If the trend continues, the percentage increase in mail volume for the fiscal year will be the lowest since the beginning of the Great Depression in the 1930's. I think it is pretty important that all of us understand that we are playing for keeps, that we do have competition, and that our jobs and careers are at stake.

In face of all these competitive factors, my managerial experience instinctively tells me the public is not ready to absorb another postage rate increase in the immediate future—unless we can clearly demonstrate, first, that we have improved our service in a significant and consistent manner, and second, that our costs have been dramatically reduced.

All of us must understand that the survival of the U.S. Postal Service depends upon everyone giving SERVICE. SERVICE is the only thing we have to sell. It behooves every manager, particularly those who serve as postmasters or front-line supervisors, to get this message across to all of their employees.

While I believe strongly in mechanization, and while new products and services offer enormous opportunities to us, they are not the total answer to this growing competition and increasing costs. It is imperative, therefore, that managers and employees at all levels give priority attention to significantly increasing their productivity, and at the same time, improving the quality and consistency of our services and I mean for all categories of mail, including a major reduction in the damage of parcels.

I think that our overall performance in the matter of parcel damage is inexcusable and totally unacceptable. On numerous occasions, I have watched a mail truck drive up to the curb, and I have seen parcels thrown out on the curbside. It made no difference what the package said, fragile or otherwise, all of them were pitched out onto the curb. I am disappointed to find that in many locations this practice is still going on.

We can no longer afford to tolerate that kind of behavior. This is the kind of thing that all front-line managers must deal with and deal with firmly.

I have dwelt on the impact of competition and the importance of service because they are critical to our survival, and we had better recognize that the Postal Service is not ordained to exist forever.

Some of the steps I am now going to cover may initially appear to be harsh measures, but we must establish a high degree of credibility with our employees and our customers. This will require strong internal discipline on the part of each individual.

The following actions are effective immediately:

First, service and customer courtesy must once again become a way of life throughout the entire Postal Service. Local managers will be held accountable for consistently achieving the service standards established by the regions during their San Diego meeting on February 25th.

These internal standards will be soon sent to local managers by the Regional Postmasters General.

Second, we must learn to live within our income. This means that without impairing service, costs must be substantially reduced in order to enable us to eliminate the need for a \$450 million rate increase next January.

Effective this date, there will be no hiring for 90 days. Throughout this period, critical vacancies may be filled by the promotion, transfer or reassignment of career employees.

We know that some major post offices have been operating for more than eight months without hiring a single employee. Other managers have substantially reduced their permanent work force by not filling vacancies that were caused by resignations and retirements. This approach protects the careers of our present employees. It protects their benefits and their future benefits, and above all it opens opportunities for their career advancement.

No increases in complement ceilings nor in job levels will be approved until the new job evaluation procedures, that are now under study, are implemented.

During this 90-day period, each manager is to examine his own organization and to advise his superior what method he plans to use to bring his costs in line. If constructive approaches are not forthcoming, we will have no alternative but to impose new directives for the period beyond the 90 days.

I have been disturbed to hear both postal managers and union officials discrediting one another, and thereby defeating our endeavor to build a meaningful relationship with our own employees. Therefore, we will hire experienced labor-relations personnel and they will be made available to assist managers at our major installations. There will be no other exceptions during this period without my personal approval.

Third, within the next month, the Regional Postmasters General will also be provided with broad authority to accomplish transfers on a permanent basis, provided the employee and the recipient manager both agree to the transfer. This authority will enable postal installations to adjust for critical personnel requirements.

Fourth, on July 1, 1972, the practice of placing persons on temporary or permanent details must cease. On that same date, July 1, 1972, the practice of augmenting day-to-day workforces by outside contractors or expert consultants is to cease. Exceptions will require personal approval by the Deputy Postmaster General or the Postmaster General, as may be appropriate.

On these four policies—service and courtesy;—cost reduction;—expanded transfer authority;—and termination of workforce augmentations—I will expect managers to reward their subordinates for superior achievement in complying with the full intent of these policies. Conversely, I will also expect them to take forthright action where there is not compliance. Senior managers will be critically judged by this standard. In turn, I will look to your immediate supervisors and to each of you to judge your subordinates by the same test.

In the final analysis, the American people, our customers, and the Congress will only judge us by what we do, not by what we say we are going to do.

I am reminded at this point of two phrases that were favorites of former President Harry S. Truman. I used both of these at the Headquarters meeting in January. The first was, and I quote, "The buck stops here." The second was, "If you can't stand the heat, then get out of the kitchen." I think we should all reflect on these two phrases.

Every man and woman wants to be proud of what he or she is doing. And, indeed, most of our people are doing a fine job, and they know it—and we know it. Self respect is self-recognized. We want all of our people to feel that way. But above all, we should have—and we should deserve—the pride and respect of the American people. And, as individuals, we'll know that too.

I appreciate this opportunity to share with you some of the concerns that I have.

Thank you.

Mr. KLASSEN. Mr. Chairman, we appreciate your taking time with us to make these two presentations. We have more of this type of action we would like to have you and your subcommittee be exposed to. We recognize it is important for us, if we are going to have your support, to keep you well informed of the action we are trying to take.

EMPLOY REACTION TO PMG MESSAGE

I would like to comment briefly on the reactions to this message that was provided to all 700,000 employees. I will deal first with the employee's reaction.

We have had hundreds of letters that we have received from both the employees and from the public and the employees' letters fall into three categories really.

One category says, "I have heard this nonsense before. I have out-lived six Postmaster Generals and I will outlive you, too, buddy." Of course those are unsigned letters.

The next group says, "I hope you mean what you have said." And they have signed their letters.

The third letter says, "Thank God somebody had guts enough to take some forthright action."

In addition to that, the employees have also said the morale is very low, that we have too many supervisors, and particularly we have supervisors who don't know how to behave or act like supervisors. They take no positive action, we have no leadership.

The third thing they have said is that making a suggestion is a waste of time because no one pays any attention to it. And many of them repeated suggestions they have made over a period of years which we hope to examine and try to implement for them.

As to the public reaction, they reacted very strongly about this matter of courtesy. They have expressed many times that they go to a post office and people are standing in groups laughing and talking and not taking care of the trade. They act as though they are doing the public a favor by selling them a stamp. They ask a question and they are either arrogant about giving them an answer or they don't know the answer.

That is summarizing the reactions of both the employees and the public.

We have since visited each of our regional headquarters with the regional management and we reviewed what plans and actions they think they can develop, and, as the message said, by July 1 we expect to have in our hands a positive plan of action, not only graphs and charts, but those things that indicate where the button will be pressed and action will be taken.

We are not sure at this juncture as I said in my opening statement whether or not we can actually avoid this request for a postal rate increase, but we are hellbent to try to prove we can.

Mr. STEED. What is the percent of reaction in these categories you have outlined? Has the resentful phase of its been very large or has the hopeful side of it been predominant?

Mr. KLASSEN. I think there is encouragement from the fact that there are more people who say that "no organization can function without good strong leadership and we don't have it in our post office.

My supervisor takes no action ; he lets people get away with murder"—those sort of comments. I think the majority rests in the favor of this question. It is not the majority group that says, "I have outlived six Postmaster Generals and I will outlive you too, buddy."

Mr. STEED. Outside of the courtesy side of it, how much of the public criticism deals with what they think are unnecessary delays?

PRESSURE ON RATE INCREASES

Mr. KLASSEN. They feel very strongly about that. I didn't mean to minimize the other aspects of their comments. They also talk about the rate increases. I was incorrectly quoted in a Wall Street Journal article that brought considerable fire from women throughout the country. The question went something like this: "Where do you think you are going to get the greatest pressure from if you have rate increases?" I said: "We will get less pressure from the housewife than business users because 85 percent of our mail is business mail."

He quoted my comments as saying we are not concerned about the housewife; we are only concerned about big business. Of course this was incorrect. So they are concerned about it. I have had many women write to me and say, "You are forgetting today we have to send many letters a month to keep communications open and pay our bills. Why do you need a 25- or 30- or 40-percent increase in postage rates?" So they do have concern.

But I think the greatest concern the public has expressed is the discourtesy they get at windows. We have under motion now—and something else we would like to show whenever convenient to you gentlemen—a whole plan of action we call "Serving America." It is designed primarily to deal with this problem. We try to develop plans of employee motivation. We try to develop a new plan for presenting our facilities. We try to make the lobby look like something.

Mr. STEED. How long is that presentation?

Mr. KLASSEN. That will take about—and we don't have it with us—45 or 50 minutes.

Mr. STEED. We will try to have an opportunity to see it.

Mr. KLASSEN. We would like for you to see it.

Mr. ROBISON. Mr. Chairman, will you yield?

Mr. STEED. Yes.

PUBLIC COMPLAINTS ABOUT SERVICE

Mr. ROBISON. In describing the public reaction, did you gloss over public complaints, if any, about the quality of service?

Mr. KLASSEN. I said a moment ago I should have touched on all of these. There are serious complaints about service. There are very serious complaints about parcel damage. Our damage is about five times that of the United Parcel Service which is totally inexcusable and intolerable. We are asking our people to take strong action. We all recognize the controls we have to live under in taking action. Heretofore, for the most part, our management has not bothered to take any action; they have turned their backs to the problem.

When I evidence criticism about the performance, I am not directing it all to the rank-and-file employee: I am including the manage-

ment. Of course, the management will tell me always, "We have never been backed up; we have never been supported." It is an easy thing for a man to hide behind something else. In fact, they tell us our manuals are too big and they can't understand them. They perhaps are, but that doesn't excuse a man from using some judgment and taking some action.

Mr. STEED. What has been the attitude of the leaders of the organized unions in your approach to this?

Mr. KLASSEN. Mr. Radamacher made a public statement to the effect that we are already overworking people, the productivity increase has been very significant in the past, and what else were we looking for. As a union leader you would expect that from him.

Today the other large group, Filbey's group, is preparing some protest not against our message but the impact this message has on the future press. It also means there will be fewer opportunities to bring in a larger membership. After all when you consider that 85 percent of our costs are labor costs, the only real basis for making cost reductions is to have less people or get greater utilization from the people.

EXCESS OF PERSONNEL

We know there are many locations we have hundreds of people more than we need. In fact at the big locations we have thousands of people more than we need. We know that. For example, we visited one of our large post offices with 16,000 employees. I asked the postmaster, "If you were able to start from scratch and set this organization up the way you would like it set up in order to get some degree of efficiency, how many people would you need?" Without any hesitation he said "Two or 3,000 less than I have here for sure." He said "We have people bumping into each other."

We, of course, have in our contract the no layoff provision which is a historic pattern in the post offices. It is something the management considered had to be put in the contract in order to get a contract. It is perpetuation of the 187-year history of the Postal Service. I assure you that in our future negotiations—I am not concerned about this being a matter of record. I have told the unions as forcibly as I can we may have some very difficult negotiations but that does not affect the next contract which expires in July of 1973. No organization can successfully maintain any degree of performance and economy with those sort of restraints.

Mr. ADDABBO. When this record gets read there will be pounding at doors.

Mr. KLASSEN. Yes.

DECREASE OF PERSONNEL THRU ATTRITION

Mr. ADDABBO. With the attrition rate, wouldn't this greatly minimize the question of layoffs?

Mr. KLASSEN. It is the only salvation we have. There are two things we can do. The attrition rate itself is running about 7,000 employees per month. As this program continues forward and the freeze continues, which I am sure it will have to, this will slow down. The attrition rate and the transfer authority that we have are very help-

ful to us. We have a number of locations where we have a substantial increase in volume in substantial sized cities, and where we have excess employees we are going to give them an opportunity to move from here to there in order to provide employment for them.

ROTATION OF PERSONNEL

Mr. STEED. What reaction have you had up to now in the transfer from one community to another? Have the employees reacted to that?

Mr. KLASSEN. We have done very little of that so far. But I think the basic reaction is good. I think it will be helpful both to the employees and to the management.

To give you an illustration, in examining one of our very large post offices where the productivity was very bad and the service was worse, we found that the postmaster had been in this post office for 50 years and the 12 top people who were his assistants had been there 40 years or more. I have no objection to that long service because I spent 40 years with American Can Co., my point being, however, staying in one location for 40 or 50 years sooner or later you get to the point where you can't see the trees for the forest. The rotation of management people and rotation of employees within the organization I think will be helpful.

Mr. ROBISON. You realize you may have just stepped on a few congressional toes, but I think the point is well taken, here, as well as in the Postal Service.

Mr. ADDABBO. As long as we are talking about transfers, one suggestion I would make, General, is that in the local post offices one of the problems is that—you speak of a man 40 years in one place. A man wants to be close to where he works. But I think one of the problems has come up where you have supervisors or foremen promoted over the men they have been working with and their shortcomings are known by the men they are now going to supervise. I think that where you have a foreman promoted you would be better off if you shifted him to another station for supervision rather than with the men he has been working with on Friday and on Monday he is going to try to supervise.

Mr. KLASSEN. That is a good point.

Mr. ADDABBO. This point has come to my attention quite often I know.

Mr. STEED. The presentation you made on the bulk mail system is very good. I want to congratulate you and your staff on the research and deep thought you have put into it. Hopefully this will meet one of your most urgent problems both in the field of competition and in getting your own house in better order.

PREFERENTIAL MAIL SYSTEM

What about the remainder of the system? You have in the preferential mail area many more work centers where you have high volume of preferential mail to be processed, and you are going to have to make substantial capital investment to meet your needs in these areas. What is the outlook in the preferential mail capital investment area at this time?

Mr. FAUGHT. We have a major program underway which is examining the requirements of the preferential mail system both from the facility standpoint and from a mail handling standpoint. In the bulk mail system we are able to adapt existing equipment and machines that were handling bulk of one kind or the other, in the case of the letter mail systems we generally have to develop specific machines to handle letters, which are of random sizes and requirements.

We have a test program underway in Cincinnati, and I would certainly encourage everyone if they have an opportunity to go and visit the Cincinnati Post Office and see this in operation because seeing it is certainly very much more rewarding than having it described.

CODE SORTING OF MAIL

What it amounts to is a system by which a code is placed on the envelope. The code is a bar-half-bar code extracted from the address information. Once the code is on the envelope, the entire processing can take place by simply reading and rereading that code.

The system which is in operation in Cincinnati and which has been in operation handling live mail for over a year is the manual coding portion of that system. This portion is very critical, of course, from a productivity and a training and motivation standpoint of the people doing this work. This portion of the system will perform the entire operation down through the separation to the individual carrier.

Once the operator puts this code on the letter, it is sorted by machines both for the outgoing distribution and then incoming all the way down to where one carrier's mail is separated into a batch. Within the next 3 months we will augment this system to include an automatic optical character reader which will read the printed information on the envelope and put this code on it.

The letter then would never be read manually. We are also adding a carrier sequencer to the system which will, using this same code, be able to take the batch of carrier's mail and arrange it in the sequence that he walks his route. The carrier would not have to spend what amounts now to roughly an hour in the office each morning just simply sequencing his mail after it is separated for him. This system is a setup for machine processing letter mail.

We have in parallel been working on an investigation on how a nationwide network of preferential mail centers would be most efficiently deployed. There are many more of those, as you point out, than there are in a bulk mail system. The facilities will be roughly 200 in number.

We have now developed computer programs which can analyze the nationwide letter mail system. All of the scheduled airline flights, I think approximately 60,000 of them, are part of this system as well as all of the Star routes and air taxis and transportation means that we have. We can actually study the nationwide system based on certain desired service standards, and answer what it takes in order to provide those service standards in the way of facility deployment, location, and equipment requirements. That whole program is roughly one phase behind the bulk mail program that you heard this morning and we are trying to complete both the development work in Cincinnati

and the analysis of the network so it can be brought to the point of decision.

Mr. ROBISON. Mr. Chairman.

Mr. STEED. Mr. Robison.

BULK MAIL PROGRAM

Mr. ROBISON. Do I understand, General, that the bulk mail program you described to us today has been agreed upon; that the decision to go ahead with it has been made by the Board of Governors?

Mr. KLASSEN. Yes.

Mr. ROBISON. It was to the Board of Governors of the Postal Service that you presented the same presentation that you gave us today?

Mr. KLASSEN. That is correct, with a great deal of cross-examination by them as to why and the details. We must have appeared before the Board three times.

Mr. ROBISON. So, when we come to the national preferential mail network Mr. Faught just mentioned, that is still in the conception stage as I understand it?

Mr. KLASSEN. Right.

Mr. ROBISON. And when you got beyond that stage to a real proposal, it would also be presented to the Board of Governors?

Mr. KLASSEN. Yes, sir.

Mr. ROBISON. Do you have any idea of the cost of that? Is it too early to give a rough estimate?

CAPITAL INVESTMENT PROGRAM

Mr. FAUGHT. We have a larger program than the bulk mail program, and the current estimate is \$3.9 billion in capital investment.

What this includes is all of the facility rehabilitation and construction work which is proceeding for various reasons at the present time, either on the basis of capacity or working conditions environment.

The nature of this equipment is that it does not require a special building or special facility. Buildings of conventional ceiling heights and floor loading arrangements can generally be adapted. We will be in the process of adapting existing buildings where there is adequate space, extending some existing buildings, or constructing new ones.

Mr. ROBISON. Then certain decisions, such as to replace or relocate an existing sectional center, are being delayed while you decide what to do with the preferential mail network. Would that be a fair statement?

Mr. FAUGHT. No, they are not. There are many locations where there is a clear need for a new building and where it is clearly one of the locations in any of the variations that we have in the preferential mail analysis. There are many of these that clearly will be distribution points in that system. On those we are proceeding with the construction of facilities which will update the capacity and environment in those locations.

Mr. ROBISON. Thank you, Mr. Chairman.

ACTION OF RATE COMMISSION

Mr. STEED. General, when the Postal Service appeared before the committee last year, which was the first budget presentation involve-

ment after the corporation idea was adopted, we had the problem of the wage agreements being hanging in mid air and the decision of the Rate Commission also hanging in mid air. Since that time, of course, the labor contracts have been finalized and you can get a good handle on the cost factors now that were somewhat just estimates a year ago. But the Rate Board still hasn't finalized its action. Have you any information that might be beneficial to us as to when the probability is rate decisions will come down?

Mr. KLASSEN. Mr. Chairman, we have been expecting it momentarily. You must appreciate that management has little or no contact with the Rate Commission except making presentations to them. We really have no idea. We expected it to be before now for that matter.

Mr. STEED. It has created some problems for us and I know it has created all sorts of problems for you. We had hoped, of course, that these uncertainties we had to deal with of necessity a year ago would all be finalized so this year we would find ourselves on somewhat more solid ground and it would make it much easier for us to make our determinations.

Mr. KLASSEN. It gives us also great concern because we realize we have as management only 30 days in which to respond to whatever decision they make. Should they decide the temporary rate we have of 8 cents should be 6 cents, it would create a lot of confusion for us and a lot of financial problems. I have no idea really except from what little information we do pick up we think it is momentarily we could expect a decision.

Mr. STEED. It is true all presentations of viewpoints have been concluded and the evidence accumulated in the course of the hearings is now in the process of being digested and considered and debated by the Commission?

Mr. KLASSEN. That is right. There were 13,000 pages of testimony.

Mr. STEED. I have listened to a few thousand pages of it myself. I think from some of the people who have been contacting us.

SALE OF BONDS

General, you refer to the sale of your first bonds under your bonding authority and the interest rate that you were able to sell them at. I saw some criticism in the newspaper about the fact you sold the bonds and then reinvested the money in Government securities at a lower rate of interest.

Could you comment on that?

Mr. KLASSEN. I will ask Jim Hargrove to speak to the subject. He is the lead man in this whole operation. I think he has pretty strong reactions.

Mr. HARGROVE. The question, of course, Mr. Chairman, is one of business judgment. Obviously people can have differing judgments on the matter. The principal reason we felt it was desirable to sell the bonds in advance of when we actually needed the funds for expenditure was our desire to establish independence in the financial capability of the new Postal Service.

The chairman will recall that independence from both congressional and executive branch involvement in the Postal Service was one of the aims of the Postal Reorganization Act. We felt very strongly we had to establish our ability to go to the public market for funds apart from

the Treasury Department financing that might be available to us so that we could establish independence from any budgetary or fiscal considerations within the executive branch. We could have waited longer to take this step.

However, it was desirable, in our opinion to set the framework within which future financing would be undertaken. The first financing, for instance, developed an indenture which will cover this issue and all future issues. It establishes the terms under which we will go to the public in the future as to price and interest rates.

If we had waited to take these steps until further down the road, I think it is very possible that we would have become involved in financing through the Treasury and we might never have established that direct access to the public. This was one of the reasons we felt it was important to go when we did.

Another reason is that we were dealing from a very strong position. We feel we are always in much better shape to make a good deal when we are dealing from strength than to wait and be forced to deal from a position with lack of strength. For instance, we had a very fine financial statement showing a strong equity position and strong cash position. This year it looks as though we are going to operate at a deficit. It would be more difficult to finance with that deficit record than it would be to finance without the deficit record—which was our situation earlier this year.

We had other elements of strength at that time. The rate proposal was still pending. We don't know how the rate decision is going to come out. I trust it is going to come out satisfactorily. We thought we were in a stronger position to finance at that time than to wait and have to proceed under the handicap of a possible adverse rate decision.

These elements of strength impelled us to go forward at the time we did even though we knew we were going to have some net interest cost associated with that.

I might point out, though, that how much that cost us in interest or how much we benefited in interest cannot be determined until we know what we could have sold those bonds for at a later date. At this time, of course, we don't know what that rate might be.

We happened to sell at a very good time. We got a very excellent rate in the market. So that at this time those bonds which we sold at 100 percent are now trading at about 95 percent. That means we have in effect made 5 percentage points on that sale as of this date. That means \$12.5 million difference, 5 percent on the \$250 million. That 5-percent profit, if you will, that we have, reflecting the propitious time at which we sold the bonds, is equal to 5 percent of a 1-percentage point differential between what we actually sold them at and what we are investing in the Treasury.

So I think it is possible to say at this time that our good choice of timing in the market has compensated for up to 5 years of the premium penalty we might have to pay in interest rates.

Mr. STEED. Then you also have the problem that going into a large construction program in the bulk mail facility area alone requires you to have a cash situation where you can have more steady flow of funds for your planning and eventual contracting for construction.

Mr. HARGROVE. Yes, sir.

Mr. STEED. Don't you do your financing somewhat in advance of the culmination of the contracting process?

Mr. KLASSEN. For us to undertake such large programs as we have talked about this morning and not have ready access to funds would destroy our whole objective. As you know, we projected to make a \$300 million saving per year out of this program. I hope it develops at that level. But even short of that it would still be very substantial savings.

For us to move forward in these kind of programs and not have ready funds available to us would destroy our whole program.

MOVE OF NATIONAL HEADQUARTERS

Mr. STEED. There has been some publicity about your plan to move your national headquarters to a location in the L'Enfant Plaza. What is the status of that?

Mr. KLASSEN. First of all, the Government would like to have our building to help complete its Federal Triangle. Second, which is probably even more important from our point of view, the building we are now in as you all know has much wasted space. We now have about 336 square feet per employee in this building which is at least twice as much as you really need.

We have substantial groups of our people in other buildings. This creates another problem for us.

Next, they are going to build a big subway station right at the base of our building. They are going to build a parking garage where we now have our parking areas for our employees. This will mean a 3- or 4-year disruption without adequate facilities for our people.

To modernize our building that we are now in to make it functional would cost us in excess of \$18 million. What we are proposing to do is to trade our building to GSA for buildings they now own and which we operate throughout the country. And if we get all the necessary authorities we propose to buy a building in L'Enfant Plaza which has adequate opportunity for growth for our organization should that be necessary. It now has some 142,000 square feet of space on lease to tenants, many of them on a short-term basis, that itself will bring a revenue of about \$900,000 a year in rentals. We think there are cost savings in the maintenance and security over what we have today of about a half million dollars a year.

Mr. STEED. You are pretty certain then that you will change your location here and that you will be able to work out the course of action you have just discussed?

Mr. KLASSEN. We are just waiting for a couple more approvals that involve the administration at this point.

Mr. STEED. How much space in your present quarters in the Triangle would you make available to the Government if you moved out?

Mr. KLASSEN. I can't tell you the total square foot area in the building, Mr. Chairman.

Mr. HARGROVE. It is about a half million square feet.

Mr. STEED. We want that information for use in considering some other matters.

Mr. BAILAR. Our present building has 510,000 square feet of space suitable for offices.

NEW CONSTRUCTION

Mr. STEED. Could you give us a summary of the amount of new construction you put into action this last year in terms of new facilities?

Mr. BAILAR. I would like to ask Mr. Faught to respond.

Mr. FAUGHT. We can provide the details of it in dollar quantities for the record if we may.

Mr. STEED. Yes.

(The information follows:)

From July 1, 1971 through May 5, 1972 approximately 728 Regional and Headquarters projects were transmitted to the Corps of Engineers for construction. The total estimated construction cost for these 728 facilities is \$154.8 million.

Mr. FAUGHT. There are several very significant steps we have taken in the past year. You have, of course, heard the description of the bulk mail program we are proceeding with. We are proceeding with mail processing facilities generally on a consolidated basis, that is, where we are consolidating the processing of mail either through our area mail processing program or through information from the projected preferential mail system.

In the smaller sized buildings—of which there are generally on an annual basis of from about 400 to 900, and there are roughly 450 of those in this fiscal year's program—we have just completed a significant standardization program for those buildings. We have been able to identify a very limited number of standard designs and layouts which would standardize the lobbies, the arrangement for the lock boxes and customer provisions in those buildings, plus the carrier operations, and mail handling portions of the building. We think this will make a significant improvement in the time and cost to realize construction of these buildings. It is on that basis we are proceeding.

CAPITAL COMMITMENT

Mr. HARGROVE. Could I add a figure to that, please? Through April 28 of this fiscal year there has been \$274,571,000 of capital commitment.

CONTROL OF COSTS

Mr. STEED. It has always been my feeling, general, in most Government operations, especially any of the departments that operate on a nationwide basis, whenever orders of a general nature are issued, while they may work all right in most cases, if there are no exceptions to that order you find situations some place in the country where you do more harm than good. Some of the members tell me that they have postmasters who are complaining to them about what the rigid budgetary restraint that your freeze order and other management orders have placed them under.

What arrangement do you have for consideration of a distress case for a local situation that might find the general order unreasonable or unwise?

Mr. KLASSEN. In talking about costs we try to keep equal emphasis to service. Unfortunately, and I have learned this very recently, I find too many of our managers have been concentrating on smaller

locations and not doing what we asked them to do. We said, "All the real opportunities for savings rest in the big post offices. So set aside the 30,000 of the small post offices and concentrate on the big operations."

For some reason or other too many of them found it too convenient to deal with some of the small locations. I am personally taking a look at that now.

Mr. STEED. It has been my feeling in a general sense the small type post office is probably operating more efficiently and better than ever before in history, that your problem of delays and error largely stems from the concentration of physical and other problems that exist in your 300 or so major centers, and that until you lick that part of the problem, you are just spinning your wheels or shadowboxing with all of the rest of it.

Do you hold to something of that same view?

Mr. KLASSEN. I agree with that completely. They are wasting their time by worrying about the small operations at this juncture. I don't mean they don't require some attention in many aspects. But when you think of 100 post offices in our entire service representing about 80 percent of our total costs, that is where we ought to be concentrating. We know in the big post offices—in fact I used an illustration in earlier comments about the reaction to a man with a big group of people.

Mr. STEED. You have the manager in one of your larger post offices make a mistake of calling a work force of 2,000 or 3,000 people onboard an hour too soon and you waste more money than it costs to run most post offices in my district for a whole year.

Mr. KLASSEN. That is right.

Mr. STEED. The small town post offices are not large enough for any errors of judgment to amount to a whole lot of money, whereas in large work forces, bad judgment in 1 day could run into sizable amounts of money.

Mr. KLASSEN. After playing this message to our top management people I made some comments, and I said, "I am going to tape everything I say today because I am not concerned about what I am saying, I am concerned about how you interpret what I am saying."

And we sent this also to all managers. Unfortunately it is easier to deal with that kind of a problem than it is to tackle a big one. I see no choice except to take hold of it.

Mr. STEED. You think then that in terms of a smaller type post office where they have some real problem with the austerity program imposed on them, through chance, if there is a justification, relief could be extended to them?

Mr. KLASSEN. I have reserved the right to make whatever exceptions are needed.

Mr. STEED. After all these years, I am thoroughly convinced any rule that doesn't have an exception to it just won't work on a nationwide basis. You are bound to sooner or later find the situation where the exception has to be made unless you want to defeat the very purpose you set out to achieve.

Mr. KLASSEN. We have already made several exceptions to it. Not specifically in the small post office but individual problems.

Mr. STEED. We will recess until 2 p.m.

AFTER RECESS

Mr. STEED. The committee will be in order.

The committee is in session this afternoon for the further consideration of the budget request of the U.S. Postal Service.

The Chair recognizes the gentleman from New York, Mr. Robison.

Mr. ROBISON. General, I want to congratulate you on your presentation this morning, and also on your attitude. You are a very direct and very blunt man, and that is rare in public service and rare in the Federal service.

I hesitate to commend you too much for that, because the last man I commended in that connection was Secretary Connally, and he has left the Government, I hope, sincerely, that does not happen to you, sir, because I do think that, at this point in its history, the Postal Service Corporation, heretofore known as the Post Office Department, needs a man of your qualities.

I wish you well along the path on which you have so recently embarked.

When we had the presentation this morning of the national bulk mail system, I was puzzled a bit by one possible alternative. Let me get that off my chest now.

We were shown one graph which said, "Summary of Alternatives." One of those was to contract out, as I understood the thrust of this, the parcel post service, or at least some part thereof.

PARCEL POST SERVICE

I have always assumed, and correct me if I have been wrong, that the United Parcel Service and its competitors—and your competitors, too—in this field, could skim the cream, so to speak, off the parcel post delivery system by taking care of that kind of service in the more or less urbanized areas where distances were not so great and customers were not so far apart.

Is it a true alternative—I will address that to whoever gave the presentation this morning—to think you could ever contract out all of the parcel post responsibilities of the service?

Mr. KLASSEN. First of all, the United Parcel can choose its areas and its clients.

Mr. ROBISON. And they do.

Mr. KLASSEN. And they do. That is why they are profitable.

Also, frequently, when they find an area that is not profitable, they leave it and we have to pick it up again.

We made reference as one of the alternatives to contracting out. It has been suggested by many people, instead of our building the facilities, let somebody else do it. It is one of the many alternatives we have considered.

We decided against it. We are out not only to hold what we have, but to recapture what we have lost.

Three things will influence it. One is our ability, if we can, to reduce the breakage experience we have demonstrated, the 5-to-1 ratio, to what United Parcel does; No. 2, if we can supply the same kind of service; and No. 3, whether our costs will be favorable.

Projecting the kind of capital outlay we talked of this morning, this is very substantial. If it does not provide an opportunity for us

not only to hold but regain what we have lost, then it will prove to have been a bad investment.

PUBLIC SERVICE CONCEPT

Mr. ROBISON. That concept of public service which the Post Office does provide is something that has bothered me for quite a period of time.

We went into this some years ago, in some depth, and when we had public witnesses up before us last week, Timothy May was one of those we heard. Mr. May, I believe, used to have a position of some sort with one of your predecessors.

Mr. KLASSEN. He was General Counsel.

Mr. ROBISON. He testified on the public service aspect of the overall picture, and said:

We think it is unfortunate that during last year's appropriation hearings the Postal Service did not document for this subcommittee's attention what those numerous public services are. Their manner of presentation left the impression that the only public service aspects of the Post Office and, therefore, the only costs that needed to be covered by the public service appropriation were the deficiencies incurred in operating these small post offices and rural services, roughly a total of \$300 million. It must be emphasized that when Congress enacted section 2401—

Of the Postal Reform Act, I presume—

Stipulating a public service appropriation equal to 10 percent of fiscal year 1971 costs or roughly \$930 million, Congress was well aware that the public services were far broader than the mere maintenance of small post offices and rural services.

Since you just described how you do have to carry parcel post into areas that United Parcel Service, for one, probably would never want to cover unless they had to, can you give us, or have one of your people give us, a sort of running summary of what the Post Office does do that is not related directly to your primary mission of carrying the mail?

Mr. KLASSEN. May we supply that for the record so we can do a creditable job?

Mr. ROBISON. I think so. It is a substantial item, is it not? and continues to be so.

Mr. KLASSEN. Yes.

Mr. ROBISON. Mr. May also went on to say this. Let me give another quote:

The Congress cannot fairly expect the business users of the Postal Service to support, perhaps by as much as a billion dollars through their rate system, the costs of supplying postal services which are not essential to the conduct of their business or essential to their business use of the Postal System.

I am sure you get what I am driving at. See if you can give us some sort of reply in amplification of this particular subject.

(The information follows:)

PUBLIC SERVICE APPROPRIATION

It seems clear that Congress authorized the 10-percent subsidy (39 U.S.C. § 2401(b)) to provide general support to the Postal Service. One—but only one—of the kinds of public services which might be identified as being supported by the appropriation was the service to rural areas and small towns. Congress required that a statement of compliance with 39 United States Code section

101(b) relating to service in such places accompany requests for appropriations under section 2401(b).

The compliance statement should not, however, be confused with a justification for the section 2401(b) appropriation. That appropriation is justified most significantly by the fact that the appropriation contributes to the continuation of a broad range of services which could not be continued without a rate increase if the appropriation were not enacted.

The reduction in the authorization, from 10 percent of the fiscal year 1971 budget in fiscal years 1972 through 1979 to 5 percent in 1984, reflects the transitional nature of the general subsidy. It seems clear that Congress intended the subsidy primarily as a device for cushioning the impact of postal reorganization on mailers generally, just as it intended the revenue-foregone subsidies authorized in 39 United States Code section 2401(c) as a way to cushion, through the phasing of rates, which such appropriations make possible, the impact of postal reorganization on certain specified types of mailers.

In this sense, the public service subsidy is available to assist service generally, not to subsidize particular classes of mail or mailers, for which the revenue-foregone subsidy is available. Just as any appropriations shortfalls which may occur under section 2401(c) are expected to be made up through the elimination of the phasing of specified rates, appropriations shortfalls under public service subsidies would be expected to be regrouped through more general rate increase action or through curtailment of services, such as those provided to rural areas and small towns.

Mr. ROBISON. In your prepared statement you tell us you are facing increasingly stiff competition in all classes of mail. We are aware of that.

Also, you say: "Apparently this factor is affecting our overall mail volume."

Other factors are involved in the reduction in the estimated increase of mail volume. The economy, for instance?

SHIFT IN CLASSES OF MAIL

Mr. KLASSEN. I am sure there are other factors involved. There is a shift in economic circumstances, with the kind of advertising that takes place, the kind of promotional effort on first-class mail. I am sure some of the boys here probably could add more significantly to the reasons for it than I can.

Have you any comment on that?

Mr. BAILAR. We are experiencing a shift between classes of mail.

Mr. ROBISON. Which way?

Mr. BAILAR. Specifically, first-class mail has declined this year in favor of third-class mail, largely because the rate differential between the two classes has widened. It is to the advantage of some of the advertisers to move what has previously been handled as first-class mail into the third-class category.

The economy is certainly having an effect on us. I think other than competitive issues, the economy is the principal factor.

Mr. HARGROVE. I think the economy has been one of the chief reasons. It is pretty hard to separate out what is due to the economy, what is due to competition, and what is due to our new rates.

Fortunately, in the last accounting period we have seen some indication that perhaps we are past the worst of the economic problem. Certainly, as Mr. Bailar has said, there has been a shift from first-class mail to third-class mail.

Earlier in the year, the differential between those two classes was 3.8 cents a piece, and that was a very substantial difference. It is now a difference of 3 cents a piece which is still a substantial difference.

I am sure a lot of people have decided to mail at third-class rates because of the size of that differential.

MAIL VOLUME

Mr. ROBISON. For fiscal 1973, you tell us you expect mail volume to reach 90.764 billion pieces. That would be an increase of 1.839 billion pieces, or 2.1 percent, over fiscal year 1972. Is that estimate of mail volume increase substantially lower than you had thought it might be, let us say a year ago, or even 6 months ago?

Mr. KLASSEN. I will ask Mr. Bailar to respond to that.

Mr. BAILAR. The estimate for 1972 has been reduced recently.

Mr. ROBISON. What was the first estimate?

Mr. BAILAR. The original estimate was 88.9 billion pieces. That has been reduced now to 86.9 billion pieces.

Mr. ROBISON. Do you have a percentage increase for 1972 over 1971?

Mr. BAILAR. 1972 compared to 1971, we now think will be down one-tenth of 1 percent.

Mr. ROBISON. So, it will be a reduction in volume, actually.

Mr. BAILAR. Yes. Because of this change in the activity level for 1972, we have been forced to adjust our projections for 1973. The projection of 90.764 billion pieces which you had for 1973 has now been reduced to 88.684 billion pieces. That number shows a 2.1-percent increase over the revised projection for 1972.

Mr. ROBISON. This year, 1972, if there is actually a reduction in mail volume, it would be the first year that that has happened in a long time.

Mr. BAILAR. Yes, sir. As Mr. Klassen indicated in his statement to the postal managers, this is the first year since the depression that we have anticipated a reduction in the number of pieces moved.

The revenue is going up, but the number of pieces appears to be down.

Mr. ROBISON. In speaking of pieces here, we are speaking of all articles moving in the mail, including parcel post?

Mr. BAILAR. Yes.

Mr. ROBISON. Your 1972 revenues reflect a March 1, 1972, implementation of the permanent rates with full rates for regular rate third-class mail effective January 23, 1972. Correct?

Mr. HARGROVE. That was the basis on which the budget was submitted, right.

PERMANENT RATES

Mr. BAILAR. We do not have the permanent rates yet. The budget was prepared on the assumption that permanent rates would be in force on March 1, but we have not received the Postal Rate Commission's recommended decision.

Mr. ROBISON. So you are still waiting for that before you can give us an accurate dollar picture of what happened to you in 1972, or what will happen to you between now and July 1?

Mr. BAILAR. Yes, sir.

REVENUES

Mr. ROBISON. The next item indicates that the 1973 revenues, which are shown in the justifications, reflect additional rate increases around

January 1, 1973, that will yield \$450 million in revenues during the second half of 1973. I had better address this to you, General Klassen: It is your hope that additional rate increase will not have to be requested, right?

Mr. KLASSEN. Under our legislation, if we find it necessary we have to make a submission in September of this year for a temporary rate to be effective in January. Our whole objective at this point is to do two things; to try to find a way of avoiding that increase in January 1973 and, concurrently, to try to improve the service.

That is an ambitious program, but I still feel we have a reasonable chance of doing this.

I said earlier this morning that I cannot make a firm commitment that that is what will happen because there are so many variables over which we have little control, but at least that is our intention.

Mr. ROBISON. The budget that was sent up to us, back in January, for the Postal Service Corporation shows an additional \$450 million in revenues anticipated from a further rate increase.

Mr. KLASSEN. That is correct.

Mr. ROBISON. So the totals, now, would be off by that amount if that rate increase is not requested by September?

Mr. KLASSEN. That is correct, sir.

Mr. ROBISON. Or by whatever later date it would become necessary.

Mr. KLASSEN. Right.

Mr. ROBISON. Is this the basis on which Mr. Hargrove, this morning, indicated that it may well be the Corporation will find itself in a deficit situation in 1973?

Mr. HARGROVE. I was speaking with respect to 1972, Congressman.

Mr. ROBISON. What is the situation to be, in 1973, without the rate increase?

COST REDUCTION

Mr. HARGROVE. If the Postmaster General is successful in reducing costs by the extent targeted, that would offset the absence of the rate increase, so there would be no change in the net surplus of deficit.

Mr. ROBISON. To pinpoint Postmaster General Klassen's ambition, you want to reduce costs by \$450 million, or approximately that amount?

Mr. KLASSEN. That is right.

Mr. ROBISON. Reductions in cost sometimes translate themselves into reductions in service. Can you give us a summary of what is involved here if you are to attain that goal?

STANDARDS OF SERVICE

Mr. KLASSEN. First of all, we proposed some standards for airmail and first-class mail some months ago. In many locations we are meeting those standards. In others we are not.

We developed some new standards in cooperation with all the regional managements throughout the Service last February. We have not released those standards publicly because we wanted to make sure whether or not those standards are obtainable.

This applies to all types of mail.

Frankly, we think we have to motivate our management people and our rank-and-file employees to understand that the Postal Service is

not ordained to survive forever, that they are subject to competition and that they had better start giving service.

When you look at what we pay postal employees—I am excluding for the moment the top management—they are well paid employees. By all standards we can examine administratively, they are damned well paid. Yet, I also want to say to you—and this applies to a great many organizations throughout the country—they are not getting a full day's work out of people.

By that I do not mean there are not many very fine people who are doing a conscientious job, but there are lots of them who are not.

When you go to a window and a conversation is taking place behind the window between a couple of postal employees when they ought to be serving the public, that is something we are not going to tolerate. That is a form of improved service.

I mentioned to the chairman this morning about the other part of the program. We would like to show you what we are specifically trying to do and have under way now in the way of trying to cause a greater acceptance on the part of the customer that we are trying to provide a decent environment for him to come into and, secondly, that we have people who are dedicated to serving him.

Just as a short illustration. Instead of calling them window clerks, we are going to call them customer representatives. I realize that is a very small thing to talk about. We will train them in this process. We will eliminate, in one way or another, those who are not willing to accommodate themselves to our new approach.

We are going to dress them up in uniforms. We are going to dress up the lobbies. We will try to create an environment which will make both the employee and the customer feel we are giving better service.

CUTBACK IN SERVICE

Mr. ROBISON. That is fine, and I think you can do a lot along those lines, but I think I have to bring you back to whether or not there has been some reduction in the services rendered to the public, because, if we do not touch upon this issue, somebody will bring it up on the floor when our bill gets out.

We were advised by one of the other public witnesses the other day that there have been, so they put it, at least 11 cutbacks in services quietly put into effect by either the U.S. Post Office Department or the new Postal Service Corporation, and that these vary, because of the delegation of authority to regional offices, from city to city, and area to area.

Here are some of the items: Reduction of collection services. Reduced week-end collection. Reductions in delivery service. Box cluster delivery mail has had reduced service. Managed mail program reductions. Originating post offices no longer sort mail to States—to which I would say I am not sure that was a "reduction" in service, as it might be only a different method of doing things. Window service drastically reduced in all parts of the country. Discontinued week-end parcel delivery.

Expedited program of closing associated offices. No second attempt to deliver parcel post, the complaint being that if you are not at home when delivery is attempted, you have to go to the post office to get the

package the next time around. Finally, the forwarding period of mail has been cut by 50 percent.

I am not going to defend the necessity for maintaining all those kinds of services. I think some of our postal patrons through the years have been accustomed to getting everything they wanted from the hands of political leaders here, and that sometimes has worked pretty well.

If you are to now run a businesslike operation and a tight ship, you may have to change some of this. But I think we need to know and ought to know what changes you have made, and give you a chance to justify, if they were made, why you did it.

Mr. KLASSEN. Obviously, there are services that are totally unnecessary, as you recognize. Anytime anyone is inconvenienced the slightest, whether it makes good judgment or not, they will criticize us for it.

I think we have a fairly good documentation of this, and I will ask Mr. FAUGHT to deal with the discussion.

Mr. FAUGHT. Many of the items that you have referred to were items which were part of program that started perhaps 2 to 2½ years ago, trying to achieve some significant cost improvements. Many of the things that were done as a part of that program did achieve savings without compromising services, or they adjusted services where they needed to be adjusted.

I think the point has been made that in many cases the communities have shifted, say, where the community business area was not operating on Saturday in most offices, so there were services not being used.

There were a number of adjustments made which were quite good in the sense of being able to adjust the cost without compromising in any significant way the services.

CLUSTER DELIVERY CONCEPT

As part of that program, there were some experiments in the use of new methods of, for example, delivering mail. One you mentioned, the cluster delivery concept, has been used in two areas, Columbia, Md., and Arcadia, La., neither of which resulted in a withdrawal of services. They did not have delivery services prior to that time. In both cases, what was installed for the first time were the cluster boxes in the community close to the houses. In both areas the acceptance has been very good. The comments have been relatively minor. They are operating, and we have again made some significant savings compared with other methods of delivery in those particular areas. Those did not result in withdrawal of services.

MANAGED MAIL

A number of other actions were taken as part of that program which did result in going too far in some of the changes that were made. The managed mail area represents a program of recognizing that mail which can achieve next-day delivery, and then, as efficiently as possible, processing the mail that would then go into the second day.

In those areas where we were able to make up additional destinations and advance the mail toward the first day, those adjustments have been made.

I think in each of the cases where we have had some significant comment on either the availability of the Saturday window services or the reinstatement of the Saturday deliveries, that there were customer needs for the services, they have really been instituted at this point.

As part of this program, as the Postmaster General has pointed out, we are not in a program of withdrawing services, but a major program of improving services along with cost reductions.

Mr. ROBISON. I understand that.

DELEGATION OF AUTHORITY FOR SERVICE

How much authority has been delegated down to the local postmaster relative to such a decision, for instance, as to when his windows shall be open on a Saturday? Is that up to him, pretty much, or do you have some guidelines on that?

Mr. FAUGHT. It is really up to him, with only very general guidelines. There certainly are no edicts that they should close. It is a matter of local discretion.

Mr. KLASSEN. It is subject to his review locally.

Mr. FAUGHT. Yes. We have had cases where they have closed or withdrawn a service part of the day on Saturday, and then reinstated the service because of the problems that were encountered.

Mr. ROBISON. He is trying to fit the service he offers to the needs of the community, right?

Mr. KLASSEN. That is what we hope he will do, yes, sir.

SERVICE CUTBACKS

Mr. ROBISON. So, then anyone can come up with a list of cutbacks that look like cutbacks, and are cutbacks from the kind of service that used to be offered to the public but, in fact, are attempts by the local managers to, as I said, fit the service to the needs of the people in their area.

Mr. FAUGHT. That is correct, yes, sir.

Mr. ROBISON. That makes pretty good sense to me, if you can keep it that way.

I have to confess, after reading this list of supposed cutbacks, that I cannot think of a case this year where I have had a letter of complaint from any of my constituents, business or nonbusiness citizen, who said he was unhappy because the post office had cut something back. The complaints are relative to the dependability of the service, not to the quantity of it.

General Klassen has already addressed himself to what you hope to do in that regard.

CLERK PRODUCTIVITY

Going back to further budget highlights, we get now to productivity, and I would like to congratulate you on what seems to have been achieved here.

Clerk productivity in 1972 will increase 5 percent over 1971, and you hope it will increase another 5 percent in 1973 over 1972.

If there are some cutbacks, Mr. Faught, of the kind we have been talking about, does a part of that reflect itself in increased productivity in that those employees then have time to devote to other duties?

Mr. FAUGHT. When you say cutback—

Mr. ROBISON. Window service hours.

Mr. KLASSEN. If we have less hours of work, we have improved productivity.

Mr. FAUGHT. That is correct. Those people would be used on the most productive efforts.

Mr. ROBISON. Can you give us some comparative tables for the record, not going into it now, about clerk productivity over the past 5 years, or something like that, so we can compare the target of a 5-percent increase over what the old department tried to produce and did produce in past years?

Mr. FAUGHT. We will be glad to provide that.

I might just mention in the period between 1960 and 1970, the average annual overall increase was in productivity one-tenth of 1 percent. So, we are talking about some significant increases. We will provide the information.

(The information follows:)

ACTUAL AND ESTIMATED CLERK PRODUCTIVITY FISCAL YEAR 1967 THROUGH FISCAL YEAR 1973

Fiscal year:	Prices per man-year	Percent increase/ (decrease) in productivity
1973 (estimated).....	284, 772	5. 0
1972 (estimated).....	271, 283	5. 0
1971.....	258, 393	4. 2
1970.....	247, 887	2. 0
1969.....	243, 023	1. 2
1968.....	240, 233	(. 5)
1967.....	241, 437	(4. 6)

Mr. ROBISON. Can you tell us something now about the basic reasons that you have been able to achieve such a substantially better increase?

Mr. FAUGHT. Yes. There are a number of reasons. Of course, as part of the overall program, we are examining each activity to make sure that we are applying and managing the effort as efficiently as possible. I think earlier there was mention of such things as scheduling employees in at the proper time so they are able to meet the requirements of the mail volume.

Those kinds of things can make significant improvements in the productivity.

In addition to that, of course, we have continued to make use of mechanization. We are now just about completing a program of converting our letter-sorting machines to a zip code translator device. Of course, we have been continuing to deploy the machines themselves. This has been a major part of the letter mail mechanization effort. It has been augmented by other pieces of mechanization as time has gone by in both the handling and distribution of the mail volume itself.

As part of the program, for example, we have the area mail processing and managed mail programs, both of which are programs which adjust the locations and adjust the way in which the mail is processed in order to make maximum use of the machine. In many of those cases,

it is a matter of moving the mail processing work to where machine utilization is available.

Mr. STEED. You recall shortly after General Blount became Postmaster General there was a very marked change in training programs in the Post Office Department. For the last 2 or 3 years, there has been a remarkable increase in training, in numbers and types of postal employees, over what was true heretofore. Are we not now beginning to reap some of the benefit of this improved training?

Mr. KLASSEN. I am sure, Mr. Chairman, that has influence, of course. As people know more about their responsibilities, it will be more effective.

I might add a couple of other points having influence. I think our management and the people are recognizing that high absenteeism and unnecessary sick leave always have a real influence on our productivity. We are trying to keep a close check on it. I think we are doing a little better job of managing and the people are doing a little better job of performing.

TRAINING PROGRAM

Mr. STEED. Part of this improved training was in the field of training managers. It seems to me you are beginning to show some real fruit from this expanded and improved training.

Mr. KLASSEN. I understand now that people who resisted originally are asking to be exposed to the training program.

Mr. ROBISON. You also have, have you not, in your training program some correspondence-type courses?

Mr. KLASSEN. Yes.

Mr. ROBISON. I do not know whether that is new or not. Have employees always been able to have that advantage?

Mr. GAYLE. That is new as of last year. We developed a correspondence course as a pilot project last spring and put it on line July 1, 1971. It has two areas. One was to bring up the general education of many of our employees, particularly the mail-handler clerk and carrier craft levels. It was also to give some prior exposure to maintenance and particularly to electricity, basic electronics, so when those people go on to school later, we do not have to start out teaching them how to add one and two. We can start them at a little higher level. The response to those programs has been absolutely amazing.

I would be glad to supply for the record—I do not happen to have it with me—how many students we have and with an amazingly small number of dropouts. We find we are reaching people at an amazingly low cost.

I can also supply for the record the average cost per student in that program.

(The information follows:)

Correspondence Study

Number of graduates since June 30, 1971.....	12, 213.
Number of students presently enrolled.....	34, 000.
Average length of course.....	30 hours.
Cost per student per course.....	\$19.

Mr. ROBISON. Isn't one of the reasons why they are interested in that kind of training now the fact that they can hope for promotion on the basis of true merit up through the ranks of the system?

PROMOTIONS

Mr. KLASSEN. We have selected almost 6,000 postmasters from within the ranks in the last couple of years. Every time you move a postmaster, it is almost safe to say at least five other people will be promoted as a result of it. I am sure this has had a stimulating effect on the people. It should have. This is contrary to their earlier history.

Mr. ROBISON. During the period from November 28, 1970, up to January 1972, I was told earlier this year, 4,266 postmasters had been selected through the merit system. Of that number, 94 percent were promoted from within the ranks of the Postal Service, and the remaining 6 percent were selected on the basis of competitive examination, and most of those apparently came from small communities where, for whatever reason, there was not a career employee within the small post office itself to qualify. That is, I think, a remarkable evidence of true postal reform.

Mr. KLASSEN. That is right.

CITY CARRIER PRODUCTIVITY

Mr. ROBISON. City carrier productivity based on pieces delivered will increase 2.5 percent in 1972, and 2.7 percent in 1973. That is quite a bit less, about half as good, as you hope to do with clerks. Is that because it is not so easy to increase the rate at which a man delivers letters to your house and mine?

Mr. KLASSEN. I will ask Pete Dorsey to respond.

Mr. DORSEY. Congressman, that is one of the areas where we really have a tough time increasing the productivity compared to the clerks.

One of the problems we have is that we really do not have any firm standards at this time as to how long it takes a carrier to deliver a letter. We have standards for clerks, but we do not have it for city carriers. We hope within a year or so to have firm standards that we can use to measure routes. With increased motorization of routes, we will obtain increased productivity as well.

Mr. ROBISON. Why do you not give us, for the record, some statistics as to the extent of motorization of the carrier routes?

Mr. DORSEY. Yes, we can furnish that.

(The information follows:)

CARRIER MOTORIZATION

The carrier motorization program involves providing a vehicle (postal-owned or hired) for a letter route which has traditionally been a foot route. Under this program savings are realized by:

- (a) Elimination of routes specifically dedicated for parcel post and relays.
- (b) Elimination of carfare costs.
- (c) Reduced traveltime to and from route.
- (d) Increasing the number of families served by the letter route.

In fiscal year 1960, 16.5 percent of the 94,914 letter routes were motorized. At the end of fiscal year 1971 of the 132,923 letter routes, 77,119 routes or 58 percent were motorized. Of the total motorized, 58,259 were assigned postal-owned vehicles and 18,860 used hired vehicles.

Plans for fiscal year 1973 call for the motorization of about 5,100 additional routes and the projected gross annual savings to be reflected in the carrier account is \$4.7 million. This estimate represents initial field planning for motorization. Regions are currently reviewing plan with a view toward increasing the number of routes to be motorized.

MOTORIZED CITY CARRIERS

Mr. ROBISON. I might say in those communities where my city carrier routes have been motorized, at first the carriers did not like it and I received a lot of complaints about it. After they got used to it, most of them got quite happy with it.

Mr. DORSEY. You generally eliminate one parcel post route because they deliver all the mail on the motorized route.

Mr. ROBISON. You have had the problem with motorization of now and then finding a carrier who did not have a license to drive?

Mr. DORSEY. Not of any great significance.

Mr. ROBISON. If that happens, what happens next? What do you do, try to find him another job?

Mr. DORSEY. Yes.

SUPERVISION OF CARRIERS

Mr. KLASSEN. I might add one other thing which makes it more difficult for us. The letter carriers have little or no supervision. Of course, the union continues to resist any closer supervision. One way or another, we must find some standards, as Pete Dorsey has already indicated. And, second, we must find some discipline. We know there is a great deal of time wasted on the part of many letter carriers.

Mr. ROBISON. He is on his own, pretty much, from the time he leaves the post office until he comes back?

Mr. DORSEY. At least 75 percent of the time he is unsupervised.

Mr. ROBISON. I think a good share of your carriers are very dedicated people, the older ones, anyhow, who have been in a long time. They are proud of the service, and they get to be just as much a part of the landscape as a tree or lamppost or anything else.

Mr. KLASSEN. We have many very fine and dedicated people. If we did not have, we would not be moving any mail.

Mr. STEED. I think actually the carriers bring more good will to the Postal Service than any other group of employees you have, because they do get to be known in the neighborhoods to the extent the people get to know them personally, and they consider the people their customers. They add quite a bit to the overall public attitude toward the whole Service.

Mr. KLASSEN. I think you are right, Mr. Chairman.

PROMOTION OF CARRIERS

Mr. ROBISON. Have you had any experience with carriers moving up through the ranks to postmaster? Is one apt to have less of the administrative experience needed to become postmaster?

Mr. KLASSEN. Of course, we have had just the reverse. We have had postmasters wanting to be rural letter carriers. I cannot really answer that for you.

Can you, Pete?

Mr. DORSEY. Over the years, there has been a myth that most supervisors come from the clerical ranks because they are inside the post office and therefore have more access to the administrative details. I do not know that I have ever seen figures that would substantiate this myth. If a carrier wants to be promoted and shows the kind of initiative and demonstrates the kind of desire that he should, he has equal opportunity with the clerks.

YEAR-END EMPLOYMENT

Mr. ROBISON. On employment overall, again a budget highlight: End of year employment for 1972 will be 720,000, give or take a few. This is in agreement with the President's Federal employment objectives. By the end of fiscal year 1973, we expect it to be 708,869, a reduction of 11,178 positions overall.

Here again, productivity is being cranked in, is it not?

Mr. FAUGHT. Yes. That is a major factor.

Mr. ROBISON. Plus attrition.

Mr. FAUGHT. If you have a mail volume projection and productivity, those would be the major elements in that determination.

Mr. ROBISON. If you are wrong on your mail volume, if there is a turnaround on mail volume, you might not be able to reduce to the job level aimed for here?

Mr. FAUGHT. We would watch that and go through an attrition process.

Mr. BAILAR. These numbers were prepared before the 1972 volume projection reduction was reduced, and also before the Postmaster General's employment freeze.

Mr. ROBISON. Do you want to give us an up-to-date figure?

Mr. BAILAR. We will submit something for the record. At this point, the effects of the freeze are so recent as to be difficult to quantify, but we will give you the most accurate estimate possible.

Mr. ROBISON. All right.

(The information follows:)

Positions fiscal year 1972

1973 Budget submission.....	720,047
Reduction due to employment freeze.....	-18,000
Revised total employment.....	702,047

NONPOSTAL SERVICES

Mr. ROBISON. I think I am running out of material, with the exception that, along with all the other productivity problems you have, getting the most for the money that the user can out of the mail, why are you still experimenting with having the post office employees do such a variety of things? In Kentucky, some postal employees are registering men for the draft. In various places here and there, you even have postal boutiques—maybe they use postal employees, I do not know—which are shops in post office lobbies.

Mr. KLASSEN. We are experimenting with various types of things.

Mr. ROBISON. Are you trying to make a little more money here and there?

Mr. KLASSEN. Not only that. Take the question of parcel post. Many parcels arrive at the post office that should never be accepted because they are poorly wrapped. In a couple of locations, we are examining the idea of having somebody there qualified to wrap them and charging a fee to wrap them. In other places, we are selling wrapping paper. This all has to be done with one point in mind: That it in no way interferes with service, but improves service. If it does not, we will cut them out.

Mr. ROBISON. In the old days, in my part of the country and yours, too, probably, people used to go to the general store to get their mail and buy their stamps and while they were there they probably bought something else. You figure you might as well use all that lobby space for a good purpose?

Mr. KLASSEN. We have a lot of wasted lobby space, I must say.

Mr. ROBISON. I don't know. Good luck to you. I am also glad to note that you found that mail car that was lost for a long time. I do not know whether it was the railroad's fault or the Postal Service's fault, but the great mail car mystery was untracked at last. No comment? It was one of those things that probably drives a Postmaster General right up the wall.

Thank you, Mr. Chairman.

Mr. STEED. Mr. Addabbo?

WORK MEASUREMENT

Mr. ADDABBO. Congratulations, Mr. Postmaster General. I recall your first experience, which I relate quite often, when you first came aboard several years ago and your shock and dismay when you went into one of the local post offices and you started to look at your watch and four people grabbed your arm and said, "You are not supposed to do that." As the Postmaster General, do you intend to put in any work measurement requirement again? Is that being contemplated?

Mr. KLASSEN. We must have work standards. We have to have something to measure people's performance by. This is something we have to continue to work on; yes.

Mr. ADDABBO. Are you reverting back to the old ticket-in-the-basket type of work measurement? If you are, it did not work, because you know there were squeezed baskets and wide baskets and people holding onto cards. That system did not work as far as work measurement.

Mr. KLASSEN. No system will work unless people understand what you are attempting to do and they feel they are a party to it. They must have some motivation for participating in it. That is the objective and the approach we are trying to use. We just cannot continue to operate this thing, if we are to be self-sustaining at some point, unless we have the kind of efficiency you would expect in any industrial enterprise.

REDUCTION OF DEFICIT

Mr. ADDABBO. Is there any contemplation in the scheme of events to try to raise this \$400-odd million deficit through curtailment of service, by closing down windows or curtailment of delivery services?

Mr. KLASSEN. No, Mr. Congressman. For us to discontinue services to accomplish this objective by itself would be defeating. As I said in my statement this morning, we do not believe the public will hold still for rate increases until such time as we can show that we can consistently maintain a level of service that is expected of us.

SPECIAL DELIVERY SERVICE

Mr. ADDABBO. In keeping with that, Mr. Postmaster General, the rate on special delivery has almost doubled, but the time of delivery of

special delivery I think has slowed down. Has there been a time schedule for special delivery letters not to be delivered over weekends?

Mr. KLASSEN. I will ask Mr. Faught to comment more specifically on this, but let me say to you at the outset that charging 60 cents for a special delivery letter and not delivering it that way is defrauding people. I know from my own personal experience I get special delivery letters at my home that come with the regular rural letter carrier. Maybe Mr. Faught can amplify.

Mr. FAUGHT. All I could answer is that we do recognize the problems in this area. There are a number of efforts going on now to try to look at alternative ways of improving the service.

If you look at what obviously and significantly would improve service and have 24-hour delivery service, then the costs go up so it would require a rate increase, and yet the rate increases have, at least in part, caused the volume decrease that we have experienced to date. This is the process we are in, trying to find a good balance to be able to identify to our customers a specific service that we will provide to them at a defined cost, and then be able to produce it consistently.

Mr. ADDABBO. Has there been any curtailment of the special delivery mail hours? It is usually, I believe, on a 24-hour basis. If I remember correctly, there was to be some limited time.

Mr. DORSEY. It has not been on a 24-hour basis for years. In most big offices it is 7 a.m. until 11 p.m., the reasonable hours that anyone would want to get a special, anyway.

Mr. ADDABBO. Seven days a week?

Mr. DORSEY. Yes, in big offices. It varies according to the size of the office. The thing you have to remember about special delivery is that up until some years ago, we had a lot of ways of moving mail, and we got special delivery home quicker because we had more trains and more airplanes. We do not have that now. At one time we had 10,000 trains carrying mail moving up and down the tracks all day long, and we got special delivery where it was going in a matter of hours.

90-DAY FREEZE ON HIRING

Mr. ADDABBO. You spoke of the 90-day freeze, which would take us into the summer period. Would the freeze also affect summer hirings?

Mr. KLASSEN. Yes, sir, it will. I expect this freeze will have to be extended in order to accomplish our objective.

SUMMER PROGRAM

Mr. ADDABBO. Will there be any summer program at all?

Mr. KLASSEN. Only to the point we need it to give service.

Mr. ADDABBO. Will you be working with the Equal Employment Opportunity Commission as far as summer jobs for youth?

Mr. KLASSEN. To be consistent with our program, we have had to reject this, yes. Let me give you an illustration of why we have had such waste and why there is such opportunity for improvement.

We have hired 15,000 and 16,000 people in the summer, whether we needed them or not. Let me give you another illustration. In a large post office in 1969 at Christmas time they hired 3,600 people to help handle the Christmas mail. In 1970, they hired 1,500. Last Christmas we hired none in this large post office, and our productivity went up.

INCREASE IN OVERTIME

Mr. ADDABBO. What was your increase in overtime?

Mr. KLASSEN. We had no increase to speak of in overtime. It was merely trying to get people to do a half day's work. In other words, many of those practices were just make jobs. They were not really hired because we needed them.

INCREASE IN ADMINISTRATION

Mr. ADDABBO. In the justification under the tab VIII: Administration, on page 1, you show a 1971-72 increase in other administrative costs from \$56 million to \$261 million, and then in 1973 it is estimated at \$231 million. What would the other administrative costs be, and why the tremendous increase in 1972 over 1971?

Mr. DOAK. It is primarily in the area of workmen's compensation where we have changed our funding in workmen's compensation. Eighty-six million dollars of that is attributable to the workmen's compensation program.

Mr. ADDABBO. That would be \$86 million, which would bring us up to roughly \$143 million, and you show over \$231 million.

Mr. DOAK. Also, the repricing of earned annual leave, \$39.8 million. Support to the Corps of Engineers, \$7.6 million. Transitional costs because of the reorganization, \$3 million. \$20.1 million is tied to the retirement bonus. We had people who retired last May who were eligible for a half-year salary bonus.

SERVICE FEE TO CORPS OF ENGINEERS

Mr. ADDABBO. What would be the \$7.6 million for the Corps of Engineers?

Mr. DOAK. This is support costs for overhead—real estate expense and leasing.

Mr. KLASSEN. It is a fee that we pay them, is that right?

Mr. DOAK. It is a fee we pay the Corps of Engineers for providing that service.

Mr. ADDABBO. What service do they provide for that fee?

Mr. DOAK. Primarily leasing service.

Mr. ADDABBO. They are leasing property for you?

Mr. DOAK. That is correct, sir.

Mr. KLASSEN. Last spring we signed an agreement with the Corps of Engineers, and they are providing for the design and construction of our new facilities program, the servicing of our leases, which involves the renewal and placement of new leases, and all of the real estate functions, and the repair and improvement program over \$20,000 which is done locally. They are really providing that facilities support effort which had previously been done in-house.

At that time we, of course, transferred people to the corps and made the adjustments so this is really a replacement cost for that effort.

SERVICE PROVIDED BY CORPS OF ENGINEERS

Mr. ADDABBO. Is the Corps of Engineers doing this work, or are they contracting it out by bid or otherwise?

Mr. FAUGHT. The support services in general are a Corps of Engineers cost. They do contract out the design and construction, but that is generally handled as a capital cost item. These are the support efforts that they provide to us for our facilities program.

Mr. ADDABBO. I think you can do a little research and provide figures for the record for the same period on a comparable type and amount of work, what you paid either in-house or utilizing the services of GSA.

Mr. FAUGHT. We will be glad to supply information of that nature.

Mr. KLASSEN. I think we might add, for the benefit of the committee, why we are involved with the Corps of Engineers and what it meant to our own organization at the time.

Mr. FAUGHT. Actually, what led to this decision is that when you take the major new construction program, which of course includes both the bulk program that you heard about this morning and then the replacement of many of our preferential facilities, and the program for updating and replacing many of our smaller so-called customer service facilities, if you take that program plus the environmental improvement program, we wind up with a major number of our facilities requiring significant update. This program, from the standpoint of the required design and construction, is over four times larger than any of the programs which we had accomplished in the past. Yet it has a temporary or transitory nature to it.

We believe that within about 4 to 5 years we will have been through the peak effort of the major kind of effort required to get these facilities either constructed or rehabilitated. For that reason, we looked outside of the Postal Service to see where we could get the services of a trained professional organization that was qualified in these areas and that would be available to us to provide support for the program.

Of course, GSA's program has really been smaller than our own. We looked, for example, at the Navy's program, and then to the Corps of Engineers. The Corps of Engineers had provided similar services in support of NASA's space program, and that, of course, has gone through its peak of the construction phases involved. So, they have the availability of efforts. The corps has approximately 40,000 employees in the Continental United States in about 38 offices which cover the entire United States and are experienced professionally in design and construction support and facilities activities.

It was for those reasons that we were able to make a very useful agreement with them and have now been operating under that agreement approximately a year.

Mr. KLASSEN. We made this agreement with them. Can you tell us how many people from our payroll were assigned to this sort of effort?

Mr. FAUGHT. I would like to supply the actual numbers for the record, but there were roughly 720 employees, I believe, in our headquarters and field operations in the direct effort involved in the program, which is roughly one-fourth of the program which we will be accomplishing with the corps. Last year, of course, we offered them the opportunity, and many of them did transfer to the corps, along with the transfer of the responsibility for this work. Many of them are there and have been augmented by the corps people. There were over 700 people who had been performing the level of effort that we were previously accomplishing.

SAVINGS BY CORPS OF ENGINEERS

Mr. ADDABBO. I have no argument with the leasing out if it saves money and personnel. My basic reason for asking for the comparison is that as far as I know, the Corps of Engineers has no expertise as far as this type of construction, and they had to look for new experts in this type of operation, whereas GSA had been doing this work for the post office, and they had the expertise. I want to see in so-called black and white figures where there is a savings by going to the Corps of Engineers, or whether the work could have been done cheaper if you had utilized the services of GSA, who had been doing the work for the post office.

Mr. KLASSEN. We will give you a more specific report on it. (The information follows:)

Our cost studies indicated that the agreed fee of 5.5 percent of our new major construction program with the COE was near the same or lower than what it was costing the USPS to provide the same services. However, for the USPS to properly manage the magnitude of the planned construction program, it would have been necessary to increase our staff complement. Our studies indicated the need for approximately 600 additional personnel at headquarters alone. This would be a 200-percent increase as compared to a much more nominal increase for the Corps of Engineers. In addition, we would need this increase for only a 5-6 year duration leaving the Postal Service with the requirement for a large reduction in force after this period. The major work provided by GSA was in the Repair and Improvement Program and the cost of those services ranged between 15-25 percent, depending on the degree of difficulty.

Discussions with GSA in reference to the new construction program indicated that their cost would be no lower than the agreed fee by the COE.

SOUTH OZONE PARK STATION

Mr. ADDABBO. We were talking about construction. As you know, I have had a thorn in my side in my neighborhood in the South Ozone Park station. It has been bandied back and forth. Have you some kind of up-to-date report for me?

Mr. FAUGHT. Yes; I have. It has been judged, of course—and it did not take a good deal of surveying to judge—that there were significant environmental problems at South Ozone Park station. The conclusion has been that we should build a new station in that location. We have located a site and are in the process, I believe, of acquiring that site. I am sure you are familiar with it. It is on the north side of Fock and Rockaway Boulevard between 126th and 127th Street. The size of the site is 19,875 square feet, which is something less than half an acre. We would plan on building a building there of 8,262 square feet, replacing the building there now. This would be a building which would be constructed and should be finished and available next year.

In the interim, we are going back into the existing building. There were three significant problems: The heating system, air-conditioning during the summer period, and upgrading the lighting. Those three efforts are being accomplished now. The air-conditioning is a package air-conditioning unit which should be available so they should get some relief this year.

Mr. ADDABBO. If the new building is not ready by winter, will we have heat in that building?

Mr. FAUGHT. Yes; they are installing a furnace system at the present time.

Mr. ADDABBO. For the record, I think that was the only coal-fired furnace in all of New York State.

Mr. FAUGHT. It is a coal-fired furnace.

RICHMOND HILL VEHICLE FACILITY

Mr. ADDABBO. Also within my congressional district, which has been a thorn in the side of the post office, I know, because of the number of neighborhood complaints, is the vehicles repair shop in Richmond Hill. I think you have received notices on that where they have leased a new indoor garage on Jamaica Avenue and 100th Street. They also leased an open-air parking lot which alleviated some of the problems. The main thrust of my question is the procedure involved as far as location of a new site on other available property. It has been brought to my attention and I know a survey has been made by the post office and the need is there, that a location was found for a new motor vehicle repair center or garage, that the location was approved by the real estate division of the post office, but the Corps of Engineers said, "Sorry," because they went ahead without their OK and because they selected the site without first consulting the Corps of Engineers; the site is therefore not acceptable.

First, do you notify the Corps of Engineers you are looking for a site, or do you notify your real estate division in house, or is the local postmaster responsible for looking to the needs of his area?

Mr. FAUGHT. I do not know the specifics of this, but I will be glad to find it out. In general, the Postal Service—in this case it would be the local postal managers—would define a need for some additional facilities, a vehicle maintenance facility in this case. That need is coordinated through the Postal Service management activity so we would then go to the corps, saying "Here are our requirements for a site. We need a site which is 7 acres, and located within this general area."

CRITERIA FOR LOCATION OF SITES

Depending on postal needs, whatever the pertinent criteria are from the postal operations standpoint would be defined to them. They then make a real estate search in an attempt to identify all of the potential sites that would fit our criteria and, of course, they are considering not only the acquisition cost but site preparation and the potential footings and subsoil conditions that would influence our total cost or comparison of the sites.

They come back to us with that information, and generally come back with a recommendation saying that we have identified four sites, and here is the one we would recommend. Then the Postal Service would make the decision in conjunction with them and with their expertise in this area.

It does not sound at all typical in the circumstances you describe, because we would in general define the requirements and if we knew of a site we would say, "Please examine this site and attempt to examine any others that might well be available in the area."

Mr. ADDABBO. That was the reason for my question. From testimony the committee has received in the past, we thought you were trying to diversify and give more authority to the local postmasters,

and this seems to be departing from that policy. I think you should look into it, the Richmond Hill motor vehicle repair station on Jamaica Avenue and 100th Street. The location they were looking at was at Atlantic Avenue and, I believe, around 102d Street, the old Borden Milk Farm warehouse.

(The information follows:)

JAMAICA VEHICLE MAINTENANCE FACILITY

The vehicle repair shop at Atlantic Avenue and 102d Street, New York City, concerns what is known as the Jamaica VMF. The Corps of Engineers (COE) was requested on February 25, 1972, to investigate the possibility of leasing this property, owned by the Borden Milk Co. Communications to date indicate the Borden Co. is not interested in leasing the property but wants to sell all portions. The Borden Co. has offered to sell it to the Postal Service for \$1.5 million. If the Postal Service were to purchase all of the offered property, an existing two-story building would not be needed; without available parking space this building would be difficult to lease or sell. A report from the corps on the Borden property is due shortly. The Postal Service has also requested the corps to survey other available sites in the Jamaica area.

VEHICLE AUXILIARY EQUIPMENT

In the justifications under vehicles on page 17 you show vehicle auxiliary equipment increased from 98,000 to 228,000, an increase of roughly 130,000 in 1 year and leveling off in 1973 at 225,000.

What would be the equipment involved and the reason for that increase? You can supply it for the record.

Mr. FAUGHT. Yes.

(The information follows:)

VEHICLE AUXILIARY EQUIPMENT FOR 3 YEARS, BY CATEGORY

(In thousands of dollars)

	1971	1972	1973
Snowplows for attachment vehicles.....		30	25
Tower tailgates.....	55	125	140
Trailer couplers.....	10	15	10
Service trailers.....	10	20	20
Other vehicle auxiliary equipment.....	23	38	30
Total.....	98	228	225

VEHICLE PROCUREMENT

Mr. ADDABBO. On page 18 also under vehicles we show 912 vehicles to replace hired vehicles at a total cost of \$2,339,000. Has a survey been made to determine whether it would be cheaper to purchase vehicles rather than to hire vehicles?

Mr. BAILAR. Mr. Congressman, we have a policy to follow the least expensive route for leasing of vehicles, and accordingly our practice varies from location to location depending on the specific situation.

Mr. ADDABBO. These would only be used where it was cheaper to purchase than to lease?

Mr. BAILAR. Yes, sir.

Mr. ADDABBO. In the justifications under bulk transit vehicles you show trailers, mail haul, actual \$298,000 was increased to \$1,191,000, leveling off in 1973 at \$1,352,000. Why this increase?

Mr. BAILAR. We will provide that for the record.

TRAILER LEASING

Mr. ADDABBO. As you well know GAO last year—and it was brought out in the hearings last year—has made a survey as to trailer purchase vis-a-vis leasing and they did find the leasing was the cheaper route especially in the New York region. I would ask you to supply for the record what is being purchased, the type of trailers and where they will be used.

(The information follows:)

VEHICLES—SEMITRAILERS

The Postal Service plans to buy 234 trailers in fiscal year 1972 and 113 in fiscal year 1973. Fifty-seven of the 234 in fiscal year 1972 are for replacement vehicles in New York. Where we can lease similar equipment with the same features more economically, we shall and do pursue that course rather than purchase. Postal-owned trailers are modular in size to the various types of wheeled containers carried therein, have cargo retaining equipment built into the units for the control of such containers, and are ruggedly designed with heavy floors, strong frames, and rear apron members to limit to the maximum extent possible road failures and vehicle downtime.

TRAILER PROCUREMENT—FISCAL YEAR 1971-73

Region	1971 mobile Post Office house trailer	Semitrailer (feet) 1971 ¹					Semitrailer (feet) 1973 ¹				
		22	28	32	38	Total	22	28	32	38	Total
New York.....	2	5			52	57					
Eastern.....	10	11	8	6	28	53	10	16	35	61	
Southern.....	12	2	1	7	15	25	1	1	4	6	
Central.....	9			15	84	99		38		38	
Western.....	9								8	8	
Total.....	42	18	9	28	179	234	11	55	47	113	

¹ No procurement of mobile Post Office house trailers in 1972 and 1973.

INCREASE IN DATA PROCESSING

Mr. ADDABBO. Now we come to the greatest growth in the Nation. I think it was when Director Shultz was here it was said how important a man is, is going to be measured by how many data processing machines he has. Here we have a tremendous increase from \$266,000 to \$4,880,000 and a further increase in 1973 to \$5,640,000. Why this tremendous increase?

Mr. KLASSEN. This, of course, is an important measure of man's possibilities. I will remind you in the Postal Service postmasters were being paid and rewarded by the number of people they had, the number of trucks and the number of routes they had, the greatest reason not to reduce a workforce you could think of. We have tried to change that. We still haven't accepted it.

Mr. ADDABBO. You have savings on one end, on the other end you go through the roof.

Mr. HARGROVE. In 1971 we had almost no purchases of automatic data processing equipment at all. That is why we have a very low

base of \$266,000. In 1971 we have a system planned for St. Louis which is presently under procurement to replace one of the existing systems and also to provide a different type of system to process money orders than we have been using. We have been using a manual system here in Washington and plan to convert that to a fully automated system and at the same time to upgrade a postal data center into a new generation of equipment.

In 1973 we would do the same thing with the New York postal data center.

Mr. ADDABBO. Thank you. I am glad you mentioned that. What I didn't want to see is that you are having to now buy equipment or lease equipment which you may have been using jointly when you were part of the Federal Government system because you have to have separate units. This is not the case then?

Mr. KLASSEN. No, sir.

COMMUNICATION EQUIPMENT

Mr. ADDABBO. Under communication systems you show an increase from \$32,000 to \$1,200,000 and then a further increase to \$1,575,000. What will this entail? This is on page 33 of the administrative and general support equipment. Will you supply a list of the equipment for the record and where it will be used?

Mr. KLASSEN. Yes.

(The information follows:)

The communications equipment requested is standard off the shelf type electronics equipment primarily used in communications networks within postal installations relating to the movement and dispatch of vehicles, coordination of mail flow between mail handling areas, conference room, public address systems, and other communicative devices used for orientation and instructional purposes. It will be purchased and used by a majority of our facilities throughout the Nation.

MAILBAG REPAIR

Mr. ADDABBO. Many years ago when I sat on the Post Office and Civil Service Legislative Committee I believe we went into quite an extensive investigation on the question of mailbags. I see you now have mailbag repair units. At that time, if I remember correctly from 12 years ago, they found it was cheaper to replace bags. Are these different type bags and you find it cheaper to repair?

Mr. BAILAR. It is cheaper to repair them than to throw them out. We have some shops which we operate and some which we have handled on contract.

Mr. ADDABBO. Under the contracting, will you be able to look to possibly utilizing local small business shops under a possible set aside program or under an 8(a) program? As far as a Federal agency will you be able to go into those programs or are they for completely Government agencies?

Mr. KLASSEN. I will have to refer that question to counsel.

Mr. CRAIG. I think as a voluntary matter we could participate in those programs. Whether we participate or not is a policy matter for determination by postal management. I believe we have voluntarily participated in certain of these programs.

CIVIL DEFENSE EQUIPMENT

Mr. ADDABBO. Under administrative and general support, page 34, you have civil defense equipment from \$2,000 to \$100,000, medical unit equipment from \$60,000 to \$410,000. This committee has had a sad experience with the Civil Defense Agency, and I believe budget also, on the question of hundreds of thousands of dollars of wasted equipment in civil defense and emergency hospitals. Why this increase in civil defense and medical unit equipment?

MEDICAL UNITS

Mr. HARGROVE. The medical units are being expanded. We are operating medical units in places we have not previously had them.

Mr. ADDABBO. This is not emergency type, this is for the active personnel. Is that correct?

Mr. GAYLE. These are for the postal employees at very large post offices that have clinic services and medium sized with first aid and nurses type of operation. With the cost of medical equipment what it is, it doesn't take many of these to get to those figures.

Mr. ADDABBO. And the increase in civil defense equipment from \$2,000 to \$100,000.

Mr. GAYLE. I am not familiar with that.

Mr. HARGROVE. That is mostly stocking of emergency equipment and cots in areas that have been designated as civil defense areas but where no previous stocking of equipment there has been done.

Mr. ADDABBO. No further questions. Thank you.

Mr. STEED. Mr. Edwards.

PARCEL POST VERSUS UNITED PARCEL SERVICE

Mr. EDWARDS. I would like to see if we can draw a few comparisons between the post office and the United Parcel Service to see if we can better understand some of the problems you have.

Take the shipment of a package from St. Louis to Denver which was used in the example on the slides earlier. Is there a comparable rate between U.S. Postal Service and United Parcel Service?

Mr. FAUGHT. Yes; I don't have with me the comparable rates directly but in general for the parcels that are smaller, that is say under 20 pounds, and the shorter distances, their rates will run between 15 and 21 percent lower than our rates. If you go to the long haul distances and the larger weight, then it crosses over and actually we have the lower rates under those conditions. I can't determine the number, but I believe under the example you have the United Parcel Service would have a rate advantage and it would be in order of 15 percent if you consider a parcel of 20 pounds or less.

Mr. EDWARDS. How about time in transit?

Mr. FAUGHT. We believe they would run on the average about 2 days better than we would under those conditions. We have run tests, and they have some standards. They also have some actual experience which isn't as good as their standards but we then have our actual experience worse than theirs by an average of roughly 2 days.

Mr. EDWARDS. When you get your new bulk handling facilities will you be able to compete on a better basis with them?

Mr. FAUGHT. Yes, we believe so. The established standards which we are using as a base of the design of the system would be as good as their established standard or better. This is something they are not achieving in many cases.

Mr. EDWARDS. How about labor rates? Can you compare labor rates?

Mr. FAUGHT. I don't know that they are directly comparable. They, of course, have a different contractual arrangement. I think they do have a number of area contracts, and their labor and craft arrangement is not the same.

Mr. KLASSEN. They are governed entirely by area contracts.

Mr. EDWARDS. Can you say by and large they can hire a man cheaper than you can? Considerably cheaper?

Mr. KLASSEN. I can't tell you precisely. We can get that for you.

Mr. EDWARDS. I think anything you could put in the record by way of comparison would have some value.

Mr. KLASSEN. Good.

(The information follows:)

UNITED PARCEL SERVICE

(New York - New Jersey Area)

Covers 18,000 employees.

UPS Classifications	Effective 7-1-72		Effective 7-20-72		UPS Classifications
	Starting Rate	Full Rate	Minimum	Step 4		Maximum
Office Clerk, Jr.	3.745	4.745	3.63	3.94	4.78
Office Clerk, Sr.	3.92	4.92	3.88	4.22	5.13
Beltman	3.795	4.97	3.63	3.94	4.78
Divisional Sorter	3.92	4.92	3.88	4.22	5.13
Shipping Clerk	3.92	4.92	3.88	4.22	5.13
Marker	4.42	5.42	3.88	4.22	5.13
Sorter	3.97	4.97	3.63	3.94	4.78
Positioner - Package	3.97	4.97	3.88	4.22	5.13
Router-Package	3.97	4.97	3.88	4.22	5.13
Porter	3.745	4.92	3.17	3.44	4.16
Driver - Tractor	4.42	5.42	4.16	4.52	5.50
Driver-Allotter	4.17	5.17	3.88	4.22	5.13
Car Washer	3.97	4.97	3.63	3.94	4.78
Transfer Clerk	4.133	5.133	4.16	4.52	5.50

Clerk-Typist SP 1-2, PS-4
 General Clerk SP 2-45, PS-5
 Mail Handler KP-8, PS-4
 Distribution Clerk KP-12, PS-5
 Receiving & Shipping Clerk SP 7-11, PS-5
 Distribution Clerk KP-12, PS-5
 Mail Handler KP-8, PS-4
 Distribution Clerk KP-12, PS-5
 Distribution Clerk KP-12, PS-5
 Custodian KP-1, PS-2
 Tractor-Trailer Operator SP 5-72, PS-6
 City Carrier KP-11, PS-5
 Motor Vehicle Operator KP-10 PS-4
 Garageman KP-9, PS-4
 Transfer Clerk KP-15 PS-6

UNITED PARCEL SERVICE

(Northern California)

1350 employees

UPS Classification	Effective 7-1-72		Effective 7-20-72				USPS Classification
	Starting Rate	Average	Maximum Rate	Minimum Rate	Step 4	Maximum Rate	
Positioners, Markers, Routers	--	--	\$5.90	\$3.88	\$4.22	\$5.13	Distribution Clerk KP-12, PS-5
Parcel Delivery Drivers	--	--	5.875	3.88	4.22	5.13	Mounted City Carrier KP-11, PS-5 Motor Vehicle Operator
Central Sorters (Belt Work Way Billing, Loading)	--	--	5.50	3.63	3.94	4.78	Mail Handler KP-8, PS-4
Pickup & Parcel Delivery Helper	--	--	5.50	3.63	3.94	4.78	Mail Handler KP-8, PS-4
Belt Workers	--	--	5.275	3.63	3.94	4.78	Mail Handler KP-8, PS-4
Central Clerk (Reports, Phone, Office Work)	5.22	5.35	5.40	3.88	4.22	5.13	General Clerk SP 2-45, PS-5
Utility Man	--	--	5.625	3.39	3.68	4.46	Laborer, Custodial SP 6-13, PS-3
Tire Service Man	--	--	5.675	3.88	4.22	5.13	Tire Repairman SP 5-53, PS-5
Truck Service Man	--	--	5.55	3.63	3.94	4.78	Garage Man KP-9, PS-4
Warehouseman	--	--	5.5225	3.63	3.94	4.78	Warehouseman SP 2-28, PS-4
Tractor Driver & Hostler	--	--	6.00	4.16	4.52	5.50	Tractor-Trailer Operator SP 5-22, PS-6
Fork Lift Drivers	--	--	5.875	3.63	3.94	4.78	Materials Handling Equipment Op. SP 1-9, PS-4

United Parcel Service
(New England Area)

Covers 250 employees

UPS Classification	Effective 7-11-72		Effective 7-20-72		U. S. Postal Service Classification
	Starting Rate	After 30 Days	Minimum	Maximum	
Lead Drivers	\$4.925	5.175	\$4.16	5.50	Carrier Technician SP 2-261 PS-6
Package Drivers Vehicle Positioners	4.80	5.05	3.88	5.13	Mounted City Carriers KP-11 PS-5 Motor Vehicle Operator
Hub Sorters	4.90	5.15	3.88	5.13	Distribution Clerk KP-12, PS-5
Hub Pickoff, Rewrap Corrections	4.80	5.05	3.63	4.78	Mail Handler KP-8, PS-4
Preloaders	4.80	5.05	3.63	4.78	Mail Handler KP-8, PS-4
Loaders, Unloaders	4.70	4.95	3.63	4.78	Mail Handler KP-8, PS-4
Car Washers	4.51	4.76	3.63	4.78	Garage Man KP-9, PS-4
Mechanics 1st class	4.98	5.23	4.16	5.50	Automotive Mechanic KP-14, PS-6
Bodymen, Welders	4.98	5.23	4.45	5.91	Body & Fender Repairman SP 5-55, PS-7
Tire Men	4.83	5.08	3.88	5.13	Tire Repairman SP 5-53, PS-5
Greasers	4.76	5.01	3.63	4.78	Garage Man KP-9, PS-4
Bldg. & Equipment Repairman 1st class	4.98	5.23	4.16	5.50	Maintenance Mechanic, General SP 7-29, PS-6
Parts Man	4.59	4.84	4.16	5.50	Storekeeper, Automotive Parts, SP 5-46, PS-6
Painters	4.98	5.23	4.16	5.50	Automotive Painter SP 5-54, PS-6

UNITED PARCEL SERVICE
(Atlantic Area)

Covers 1000 employees

UPS Classification	Effective 5-1-72		Effective 7-20-72		U. S. Postal Service Classification
	Starting rate	After 30 Days	Minimum Rate	Step 4 Maximum Rate	
Inside Sorters	\$4.33	4.63	3.88	4.22	Distribution Clerk KP-12, PS-5
Package Pickup and Delivery Drivers	4.33	4.63	3.88	4.22	Mounted City Carrier KP-11 PS-5
Tractor-Trailer Driver	4.68	4.98	4.16	4.52	Tractor-Trailer Operator. SP 5-22, PS-6
Truck-Truck or Truck Pup Driver	4.43	4.73	3.88	4.22	Motor Vehicle Operator KP-10, PS-5
Loader - Unloader	4.13	4.43	3.63	3.94	Mail Handler KP-8, PS-4
Car Washers	2.87	3.17	3.63	3.94	Garageman KP 9, PS-4

Mr. EDWARDS. Do they operate with union contracts?

Mr. KLASSEN. Yes, they do.

Mr. EDWARDS. Do you know anything about their retirement program? Are they better or worse than the post office?

Mr. KLASSEN. There is no retirement program in the country that compares with the civil service retirement program. They have some other programs of a profit sharing nature that are fairly decent that all employees can participate in.

MANAGEMENT'S RIGHT TO MANAGE

Mr. EDWARDS. As I understand it you took the position when you bargained for your first contract that you were willing to give up some money in exchange for returning to management the right to manage. Is that a fair way to put it?

Mr. KLASSEN. That is a good way of putting it, yes. I could enumerate some specifics for you if you like.

Mr. EDWARDS. My next question was did you succeed in retaining or getting back some of the management rights?

Mr. KLASSEN. Let me start out with, first of all, the substantial need we have for mechanization improvement, technology we want to develop. Heretofore there was no opportunity to do that without full agreement with the union. Today we make the judgment. They have the right to challenge the rates we pay for any new jobs we create. They can take those rates all the way to arbitration if they desire.

The question of discipline. We now have the right to discipline people. We now have a formalized grievance procedure we never had before.

Do you want to add to that?

Mr. GAYLE. We also increased in what I would call safety and health where management has the responsibility to supply a safe area but the men don't have a right to say I am not going to do so because it isn't safe.

STABILIZED WORK FORCE

In the area of work stabilization, our so-called 90-percent program was something the unions wanted, but we are in effect establishing this program and at the same time have the opportunity to move men around for peaks and valleys in our service requirement.

Mr. EDWARDS. You mean move them around within the post office?

Mr. GAYLE. Within the post office and within the craft from job to job. If you have a critical input 1 hour of the day, or 1 day of the week or 1 week of the month, we can move people between craft lines under certain circumstances and from job to job within their craft. That was in return for stabilizing the work force basically a casual work force to a more regularized work force.

Mr. EDWARDS. How about your right to transfer employees to other post offices or other towns? Is that a new right you didn't have before?

Mr. GAYLE. No, sir; that is not a new right. The basic seniority agreement which covers that was incorporated from the old contract. Let me say even the rights that might have been under the old contract for other reasons were probably never used. They are limited, but also management recognizes that the scope and the depth of the seniority agreement was just too much to negotiate in our first contract of this type.

Mr. EDWARDS. Did you have any limits on your right to reduce forces by attrition?

Mr. GAYLE. No, sir; not by attrition. On involuntary layoffs we did agree.

Mr. EDWARDS. I am sure the members of this subcommittee would agree that we want to do all we can and you want to do all you can to protect the rights of employees, but I think it is another thing entirely to try to protect the size of some union organization or the number of members. Do you feel like your contract allows you to operate in that manner?

Mr. GAYLE. I think in any contract neither party gets exactly what they would like to have; in my opinion, the management and, I think, both parties went a long step forward in trying to get what they need. I don't feel the particular agreement we have, either the 90-percent program or the no-layoff provision, protects the size of the bargaining unit. Of course, I am sure on the other side, if for no other reason than economics, they would like to have their unit as large as possible. And we want a productive work force that is economically productive and without undue hardship that is going to create an unproductive work force. This is no good for management either.

Mr. EDWARDS. As you carry out the new rights or the reclaimed rights of management, or as you start exercising rights that perhaps were lying dormant in some of the old contracts, do you feel it will put you in a better competitive situation with companies such as United Parcel Service?

Mr. KLASSEN. It definitely should; yes. If we can do a more effective job of managing, we are bound to improve our performance and our productivity.

Mr. EDWARDS. And you feel like you have gained the tools with which to carry out your objective or meet your goals?

Mr. KLASSEN. We think we have gone part way; yes, sir. As Larry said earlier, neither side ever gets all they want. We made good strides forward. In fact, many experts in the field are amazed we were able to accomplish what we were.

LOSS OF REVENUE

Mr. EDWARDS. The GAO report dated April 4 says that the Postal Service is not collecting substantial revenues to which it is entitled and is permitting ineligible nonprofit organizations to mail at reduced postage rates. I wonder if you have tightened up in this area since that report?

Mr. KLASSEN. I will have to ask for some help here.

Mr. BAILAR. Yes, sir. We are aware of the study. We have a program underway to review the various classes of mail, the groups that use them, and the validity of their authorization. We do have a backlog of cases to be reviewed, and we are having to whittle it away.

POSTAL SOURCE DATA SYSTEM

Mr. EDWARDS. There is also another one dated January 1972 that says, first, the postal source data system should be evaluated and improved before further expansion. Second, that unrecovered costs in providing address direction service to postal patrons is a problem.

And that postage due, and handling costs for processing mail with insufficient postage, are not being recovered. Are you aware of that study?

Mr. HARGROVE. Yes, Congressman, we are aware of the study. As far as the postal source data system is concerned, we have reached a plateau of 113 post offices, and we have no plans to expand it beyond that, certainly until after we have had a longer time to evaluate it as suggested in the GAO report. The GAO report has suggested that we stop it at 105 post offices, I believe, which would have left us with an incomplete system, and we do not agree with stopping it there. At 113 installations, we do agree we should stop for further evaluation.

As far as the address correction recovery in concerned, we are aware of the problems in this area, and are going to move to see if we can't recover more of our costs than previously.

RECOVERY OF POSTAGE DUE

With respect to the third item, the postage due, this is a very difficult task. In many instances, it costs us more to get the postage back than the amount of postage we are collecting. We recognize there is a discipline involved here, and we agree we should make attempts to recover this so as to maintain the discipline.

As far as the dollars and cents are concerned, frequently we lose money by attempting to collect postage due. We are aware of all three of these studies and are working to try to accommodate the desires expressed by GAO in them.

PRESORT PICKUP

Mr. EDWARDS. In what respect is the presort box arrangement you have had on the mail working? As I understand it, you have airmail, local, and out-of-town boxes congregated together more often. I wonder if that is relieving any burden in the post office?

Mr. FAUGHT. Relative to the white-top airmail boxes, they provide a very fundamental separation of the airmail which would qualify for the airmail first-day and second-day standards. By having the mail deposited in those boxes, we can make special collection trips and actually carry the mail directly to the airport rather than having it go through the local facility, and have been able to achieve improved service.

So in the case of airmail, it does provide a very important separation.

In the other cases, both in the collection boxes and the customer separation where we can have a separation of the out-of-town mail versus the local mail, it accelerates the out-of-town mail in that we can make the proper dispatch and then come back and work the local mail, since we really have all night to do that.

MOBILE POST OFFICES

Mr. EDWARDS. You have a press release April 24 of this year, which talks about an instant post office that can be deployed around the country in event of disaster. Is that actually in operation, or have you any experience with that yet?

Mr. FAUGHT. I believe the reference is to the mobile post offices.

Mr. HARGROVE. It is in operation and has been used in some instances.

Mr. BAILAR. It was used in the last month or two on a post office that was burned out, I believe. We had restored postal service within 24 hours.

Mr. FAUGHT. We have contracted to buy 42 mobile post offices, and they will be employed as temporary post offices in disaster areas for fires, floods, storms, earthquakes, so forth. There is a great need for reestablishing postal services as quickly as possible after one of these disasters.

Mr. EDWARDS. Are they house trailers or something like that?

Mr. FAUGHT. They are mobile trailers. They are 40 feet by 10 feet and really have trailer construction. There are all-weather climate controls provided for comfort of customers and employees. They would be transported across the roads by a tractor.

Mr. EDWARDS. Would they be prepositioned in various parts of the country?

Mr. FAUGHT. Each region will be assigned these mobile stations on a deployment basis so they would then be available within a short period of time. In addition, at Christmas time, we would use these where we can provide an additional service to the customers. For example, by putting them in a shopping center which does not have normal postal services so that they would serve a dual purpose.

Mr. HARGROVE. There was one on exhibit outside of the Postal Forum last fall. I imagine there will be one on exhibit again when the Postal Forum occurs this year.

POSTAL ACADEMY PROGRAM

Mr. EDWARDS. I can recall a couple of years ago the big sendoff of the postal academy, the store-front academy, and I noticed in the paper the other day where they are going to be closed. I wonder if you might elaborate on why the demise of what was supposed to be such a great program.

Mr. KLASSEN. I will ask Mr. Gayle to give more detail for our reasons to take the action we have. I am sure this can be considered a noble effort but the deterioration has been such that we felt from a Postal Service point of view we no longer want to be identified with it. We haven't suggested they discontinue it, we just said if the Government wants to continue it, that is their business.

Mr. GAYLE. Basically this program started a little over 2 years ago. It was a pilot program. Postal Service sponsored it and as you may know it was 90 percent funded by other Federal agencies, originally by the Department of Labor and OEO, OEO later taken over by HEW.

The program itself was much more educational than a manpower development program. It was modeled after the street academies in New York and some other programs. It is not really a manpower program as you would normally think of a manpower development program.

Last year in June, prior to the present fiscal year, in discussions with the Department of Labor, HEW, and so forth we said at that point we felt because we were going to be the Postal Service, a different type of organization, we would be getting out at the end of

this year. During this period of time, the Postal Academy staff was attempting to find a home either in another Government agency, in a private agency, or any place else where the program could go on.

Unfortunately, they were unable to find a new home during that period of time in another Federal agency or in a private agency. In March of this year we then formally informed the Office of Management and Budget, as in the course of our private conversations, that we would have to be getting out. At the present time we are in the process of phasing into Department of Labor programs. We are closing out Postal Service commitment as of June 30. We are working with the Department of Labor who are taking over the present enrollees and offering to put them in any ongoing Department of Labor program.

As you may know, they have various types of programs in the community but these would be in their basic manpower development program. They have committed for the next 12 months any of those enrollees who want to continue their GED educational opportunities in existing Department of Labor programs. They have also said that for any of the present schedule A or temporary staffs that are in the present program they will as much as possible offer these people employment opportunities in ongoing Department of Labor programs.

There are about 120 of the staff that are postal employees who have retreat rights to the Postal Service and we are living up to that commitment for them to come back to the post office if they desire, and I presume most of them will so desire. That is the status of the present program and what is being done up to today.

Mr. EDWARDS. There was some thought back then that as these young people were better educated and trained, some of them would come into the Postal Service. I gather from what the General said earlier that there really aren't those opportunities for the young people right now.

Mr. GAYLE. I think it is probably two things. One is opportunities and the other is that this program really wasn't a manpower development type program as much as an educational program to go on for higher educational opportunities including college. As you say, the opportunities in the post office have changed considerably from what they were 2½ years ago.

The second factor is the type of program versus what we have. We have basically an educational training manpower development program for employees already in the service in which we are trying to raise their levels and we are working very hard in that area.

Mr. EDWARDS. Thank you.

PROCESSING CUSTOMER COMPLAINTS

General, what local apparatuses do you have in your post offices now to process customer complaints so that they feel like they are getting some responsible reply to whatever their complaint might be?

Mr. KLASSEN. We have a small group set up as customer advocates. I can't tell you for the moment how many.

Mr. CARLIN. They received in 9 months something in the range of 15,000 to 16,000 complaints.

Mr. KLASSEN. Every complaint that comes in is answered by an investigation. I would say from what little I know that this is consi-

dered a very effective service. We have a fairly aggressive young man as head of this operation, who irritates some of our management people once in a while by saying you can't do it this way or you have to do it that way because that is what the customer needs. In every true sense he is representing the customer's point of view.

Mr. EDWARDS. He is the ombudsman?

Mr. KLASSEN. That is right.

IMPROVEMENT OF RURAL SERVICE

Mr. EDWARDS. In all of your efforts to improve postal service, have you any plans for rural postal service that will change the present way it is handled?

Dr. DORSEY. I don't believe so. The number of post offices being discontinued is sharply reduced over what it has been in the last 20 or 25 years. Rural post offices have a way of disappearing because little towns disappear. Some people say that is unfortunate, and it is, because this is happening. We are not discontinuing rural service per se. Rural carrier service is the same as it was years ago.

Mr. EDWARDS. There are not many ways you could change that.

Mr. DORSEY. I don't see what you could do to improve rural carrier service.

Mr. BAILAR. A schedule will be submitted in the record tomorrow which outlines Postal Service facilities by class of office. You may have it now. It is a part of my statement for tomorrow's meeting.

(The information follows:)

NUMBER OF POST OFFICES BY CLASS—AS OF JUNE 30

	1971 actual	1972 estimate	1973 estimate
1st-class.....	5,162	5,170	5,180
2d-class.....	7,396	7,400	7,410
3rd-class.....	12,551	12,535	12,489
4th-class.....	6,838	6,830	6,820
Total.....	31,947	31,935	31,899

EMPLOYEE GUIDEBOOK

Mr. EDWARDS. We will take it in its orderly fashion.

I am constrained to raise this next question. This man, Mike Causey, who writes in the Washington Post wrote on February 25 that you spent \$29,750 on a guidebook for employees which tells them among other things not to stick pencils in their ears, and the following is quoted from the pamphlet, "An earache is generally a signal that all is not well." And it also says "Do not let your toenails grow to excessive length."

What is the purpose of that book?

Mr. KLASSEN. First of all, he has taken an entire program completely out of context.

Mr. EDWARDS. I am sure he has.

Mr. KLASSEN. We have a service we have provided for the last couple of years to all of our people who are reaching the eligibility stage for retirement, and the service is intended to help them prepare them-

selves for retirement. The service is intended to help them understand some of the things they should be facing, some of the things they ought to be doing for themselves. In other words, if Causey would take the entire series and talk about it, we would be grateful to him. He takes those things that sound very stupid, and you were embarrassed to ask those questions. They do sound stupid when taken out of context. I think the program itself is a very worthwhile program. We have had many employees not eligible for retirement say "Can I be included in this series?"

These publications go directly to their homes. It is a service used by a great many industries throughout the country. It is designed primarily to help the individual employee to understand those things he should be examining, those things he ought to be doing for himself to prepare himself for a good long retirement. We would be very happy to give you a review of this sometime.

Mr. EDWARDS. Why don't you just let the committee have a couple of guidebooks? Not for the record.

Mr. KLASSEN. I would rather do better than that. If you give us a half hour, we will hit highlights of the series involved in there and give you the books. I think they are very worthwhile.

Mr. EDWARDS. You can just bring some with you tomorrow.

Mr. KLASSEN. Yes.

ADVERTISING ON STAMPS

Mr. EDWARDS. One final question. I don't suppose the suggestion is a new one but there have been suggestions I have seen recently about increasing revenue by selling advertising space on stamps, this sort of thing. Has that been seriously studied and if so, what do you feel?

Mr. KLASSEN. I can't tell you how seriously it has been studied, but I can tell you it has been brought up many times and talked about. I know there is a difference of opinion among some of us. My own personal point of view would influence me to say no to advertising on stamps. To other people it is a worthwhile effort. No conclusion has been reached.

Mr. EDWARDS. Is it something being actively looked at?

Mr. KLASSEN. I don't know. I have no program underway for it. Maybe some of our people do.

Mr. EDWARDS. Thank you, Mr. Chairman.

Mr. STEED. Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

NUMBER OF FOURTH-CLASS OFFICES

A moment ago something was mentioned about the fact tomorrow there will be more information given relative to rural service in small post offices. In that information will there be the number of small post offices, especially fourth class, that have been closed through consolidation?

Mr. BAILAR. Yes, sir. The schedule lists the number of offices by class, including fourth class, for 1971, the estimate for 1972, and the estimate for 1973.

Mr. MYERS. Will this be discussed tomorrow?

Mr. BAILAR. There was no discussion planned. The schedule was to be presented for the record and basically it shows a decline of 18 fourth-class offices of a total of 6,800 during the 2-year period covered. The number is basically static.

CLOSING SMALL OFFICES

Mr. KLASSEN. I don't believe you heard some of our earlier discussion this morning where we tried to indicate to our management people that they should concentrate their economy efforts in the big post offices, and forget about these small ones. We have some 30,000-odd post offices yet; you have 100 of them doing 80 percent of all the business. We have no intention of closing these small post offices except under certain conditions.

In other words, sometimes we are forced to close them. Sometimes the community is out of business, sometimes there is no one we can find to be the postmaster.

Mr. MYERS. I am not all sure you are wrong if you close some of them. I am not like some people that like to keep every little post office open.

Mr. KLASSEN. I am responding that way because I am being badgered to death in all parts of the country.

In fact, we don't allow any post office to be closed now without coming all the way to me before they are closed, because we are being badgered by people from all over the country.

EMPLOYMENT FREEZE

Mr. MYERS. You mentioned there is a freeze underway now and that no new employees, with very few exceptions, will be put on the payroll between now and the 1st of July and you also said later that probably would have to be extended.

Mr. KLASSEN. Yes, sir.

Mr. MYERS. What about the case of some of the fourth-class post offices where the postmaster retires in the interim period during the freeze? What is going to happen in those cases?

Mr. KLASSEN. We will try to find some other employee at some other post office who could be eligible for the postmaster job. If we do, it will be just one less extra employee we have in some other location.

RURAL ROUTES

Mr. MYERS. As I recall, last year there was some effort—I couldn't find it a minute ago in last year's record—but there is an ideal size for the number of patrons on a rural route. Knowing something about some rural routes, I don't know the average number of hours spent on a rural route but it is not too great. Has there been any consideration given to consolidating rural routes and making them larger?

Mr. GAYLE. There has been quite a bit of thought about adjustments. It is subject to negotiation. It was negotiated long and hard and that was one time—as I said before you don't always get what you want and they don't either. We have a great desire to make some efficiency changes in the rural routes. I am not talking about service given, but

pay and number of hours worked, allowances and cars, and that sort of thing. I am sure it will be a very extensive subject of negotiation at the next round.

Mr. MYERS. Negotiations with whom?

Mr. GAYLE. With the rural letter carriers organization.

Mr. MYERS. Every rural carrier in the country belongs to this organization?

Mr. GAYLE. They have exclusive bargaining rights for their members. Actually that unit has exclusive rights under the National Labor Relations Act to bargain for every rural letter carrier.

Mr. MYERS. How about new routes that come on the line? How do you place the people in those? Do you have to go to the union to get a recommendation for somebody?

Mr. GAYLE. No. We have substitute rural carriers we have had for some years. The rural carrier system is a very unique system. We have rural substitutes. What we are doing now is for any vacancies in the rural mail carrier routes, we are using substitutes, and we still have a lot of those that have been working on a vacation or somebody goes off a couple of days. Many of them have been doing this for 10 or 15 or 20 years and many of those now are being used for replacements. We still have enough of those people. If no other post office employees in the office bid for the job, then the substitute rural carrier may be selected.

Mr. MYERS. It is another bidding situation then?

Mr. GAYLE. Basically, yes.

Mr. KLASSEN. Don't we also have a lot of people seeking the job as rural carrier?

Mr. GAYLE. Yes, sir; there are quite a few.

Mr. STEED. It is true that there are some very advantageous arrangements on rural routes that makes them very desirable for people, but there is one factor that keeps being omitted in the total consideration of this rural mail route matter. You know a farmer is a businessman and there are fewer farmers today than we have ever had, and therefore a legitimate farmer is involved in a lot more investment and a lot more so-called big business, capital, financing, and all of that than the average businessman on the average main street in the country. He has a need for his mail earlier in the day too, the same as the businessman in town.

When you get very much beyond the noon hour to get the mail out to a farmer, you find many of them beginning to find fault with the Postal Service. So part of this pressure to have these routes finished early in the day is because it is difficult to find that part of the route that will stand for the later hour delivery that a longer workday would impose on the customer.

So I think it is well to remember that there is some merit in getting the mail to as many farmers before they come in for their noon lunch hour as we can because of the fact it is a very important business advantage to these businessmen-farmers to have that kind of service.

Mr. KLASSEN. I think that is well put.

CHANGES IN EMPLOYMENT

Mr. MYERS. I notice in positions that you do expect to reduce your total number of employees this year from a couple of years ago. In a couple of areas you show a significant increase.

As an example, national headquarters administration. I see you are going to not quite double that in 2 years. Inspection services are not quite tripling. Law enforcement is more than tripling. Yet out in the field operations that is being reduced.

What justification is there for the Washington force being increased and out in the field they are being decreased?

POSTAL SECURITY PROGRAM

Mr. KLASSEN. Let's talk first of all about the Inspection Service, which is something that has been given a great deal of attention. We have our Chief Inspector with us today, Mr. Cotter.

Mr. COTTER. Mr. Congressman, the very significant increase in the size of the Inspection Service in 1971, 1972, 1973, I would suggest is largely attributable to the establishment of a new Security Force in the Postal Service. We surveyed the condition of the plant security of the Post Office Department in 1969 and came to the conclusion that the old guard-watchman system we had was very ineffective.

For example, in one post office they had 32 guards and watchmen supposedly affording protection to the mail, and half of them were over 60 and six over 69. They were ineffective. When we highlighted these very serious deficiencies to the Postmaster General back in 1969, it was concluded we should upgrade plant security in the larger post offices.

We started a program at that time to transfer the guard-watchmen slots from the larger post offices into the Security Force which, was later decided was to be managed by the Inspection Service, that is, the recruitment, training, and running of this new Security Force.

We took out the old guard-watchmen slots which were on the table of organization of the postmasters and transferred them into the Security Force. In addition we increased the number of these guards in the new Security Force to provide an adequate staff to perform plant security responsibilities in the post offices of New York, Chicago, Philadelphia, and so forth.

Although we see a very dramatic increase in the size of the Inspection Service—for example, in 1971 the total budget dollarwise was \$54 million, in 1972, \$86 million, 1973, \$120 million. The increase 1972 to 1973, for example, is \$34 million, and \$23.8 million of that is the increase in the size of the Security Force. I would suggest over half of it is merely transfer of slots from the post office rolls to the new Security Force.

Mr. KLASSEN. You might say this increase is not entirely an increase, it is a redistribution of the expense money for local post offices to Inspection Service expense.

Mr. COTTER. Yes; it is, and identified in the field Inspection Service.

In addition there has been an increase in the number of inspectors since 1969 to date. In 1969 we had 1,180 postal inspectors; today we have 1,614. We are not putting in for any new inspectors next year,

but in the early 1960's there had been just about no increase in the Postal Inspection Service, and we did subsequently increase the number.

Putting those two things together, by and large that accounts for the major part of this increase.

Mr. KLASSEN. Before you leave that let's explain how these inspectors are paying their way. In other words, what are they accomplishing for us and what are they doing for the people? What do they do in the way of theft reduction?

Mr. COTTER. In 1969 through 1970, you will recall in the airmail facility at Kennedy Airport there was some \$70 million stolen from registered mails largely in securities. We instituted a plant security force, or a con-con system, concentrating and convoying these securities moving from the post office downtown right out to the airport and right to boarding the aircraft. As a consequence today—whereas in 1969-70 \$70 million was lost, today it is practically zero. In 1969 and 1970 we lost some \$3.2 million to post office burglars. In 1971 we cut these losses in half to less than \$1.5 million. This year I suggest our losses to post office burglars will be under \$700,000. A very dramatic drop.

OBSCENITY PROGRAM

In the area of obscenity, a few years ago the complaints were running extremely high, up to 284,000 complaints in 1970. Those complaints dropped to 168,000 in 1971, and I suggest in fiscal year 1972 they will be down under 70,000.

Mr. ADDABBO. That is because of permissiveness?

Mr. COTTER. A lot of different factors come into it. We have been vigorously investigating and presenting the facts to the U.S. attorney on the big mail-order dealers in obscenity. Practically all of them have been indicted.

We can go beyond that and touch on the audit function in the Inspection Service. We have continually conducted service audits of major post offices where in just two recent audits, for example, we identified savings in the amount of some \$10 million.

I could go on into more areas explaining further. There is another category in the budget.

POSTAL SECURITY PROGRAM

Two hundred and six individuals who used to be referred to as investigative aides are really assistant postal inspectors. Before 1971

they were on the rolls of the postmaster. Now we have moved them onto the rolls of the Inspection Service with a transfer of dollars.

Another category is dollars. In prior years, when recommendations were made to increase the security around the post office, lighting and fencing and closed circuit TV, those charges went onto the cost of the post office. These are now being identified in the budget of the Postal Inspection Service. All of these things put together account for a very large segment of that very dramatic increase in cost.

Mr. MYERS. How about law enforcement then? We have been talking about inspection services. What about law enforcement? Where do they fit into the picture?

Mr. COTTER. It is the same thing.

Mr. MYERS. Why on page 1 of category 6 do you have 7,033 positions for law enforcement and only have 7,681 for inspection services, yet you say you have all of these guards and security personnel? Do you call them law enforcement?

Mr. COTTER. It is in that category, Mr. Congressman.

Mr. MYERS. There is 648 difference there. What are they doing?

Mr. COTTER. The security force category I was referring to as the very large number is under Specialized Activities, Postal Crimes and Prohibited Mailings under Law Enforcement on pages 1 and 2 and again on 8 and 9.

Mr. MYERS. How many people work in the security of the facility itself such as the guards?

Mr. COTTER. The uniformed security force, in fiscal 1972, 3,040.

Mr. MYERS. And the rest of them are in other positions?

Mr. COTTER. Yes, sir. Inspectors, there are 1,614. Auditors, 199. Investigative aides, 206. Scientific, technical, clerical, 941; security force, 3,040.

Mr. MYERS. How about the 33-percent increase in national headquarters administration in the last few years?

Mr. BAILAR. May we supply an answer for the record?

Mr. MYERS. That is all right. I want to know why you moved from 974 2 years ago to 5,097 this year.

Mr. COTTER. I think a lot of the jobs are not filled.

Mr. BAILAR. I think the answer is that quite a number of the jobs are not filled. We will get that for the record.

(The information follows:)

Headquarters Employment
(See page SE-5)

The reorganization during early FY 1972 made significant changes in the grouping of functional responsibilities. While it is not possible to show comparability between the present headquarters organizations and those that existed as of June 30, 1971, an examination of total headquarters shows little change in staffing reflected in the 1972 column of the 1973 budget compared to on rolls as of June 30, 1971.

	<u>1971</u>	<u>1972</u>	<u>Difference</u>
Headquarters General Administration	1,788	2,359	571
Headquarters Inspection Service	134	136	2
Headquarters Research, Development, and Engineering	534	179	-355
Total	2,456	2,674	218

Less:

- Custodial positions transferred from GSA for Headquarters staffing		- 66
- Field contract compliance positions now included in Headquarters complement (employees still in the field)		- 76
- Management associate positions transferred to Headquarters for training control only		- 60
Net growth in staffing		<u>16</u>

The increase of 218 in Headquarters positions in FY 1972 over on rolls as of June 30, 1971, includes 31 positions for Management Associates (trainees) to be filled in 1972. Considering these positions there was actually a decrease in planned Headquarters staffing for 1972 as compared to the on rolls as of June 30, 1971.

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As of April 28, 1972, there were 2,312 paid employees against a planned complement of 2,674.

Mr. HARGROVE. 480 positions are in the postal academy training institute which will now be phased out. And 480 positions will be eliminated in 1973.

RATE INCREASE

Mr. MYERS. I believe in your presentation this morning, General Klassen, you mentioned a rate increase at the end of this year. Is that correct you are at the present time working on a rate increase for all different classes for the end of the year? You have made a recommendation for that anyway?

Mr. KLASSEN. In our fiscal 1973 budget, we have provided for \$450 million of increased revenues from a rate increase which we hope to avoid. In other words, the program we have talked about and are trying to implement is designed to do two things, improve service and simultaneously with that to cut the cost. We have people who tell us we can't do it, but I am not convinced of that yet.

Mr. MYERS. So that decision hasn't been made yet?

Mr. KLASSEN. No.

REVENUE AND COST BY CLASS OF MAIL

Mr. MYERS. Have you provided for the record at any place a table indicating revenue and costs of each of the classes of mail?

Mr. KLASSEN. We have not done that.

Mr. MYERS. Could you provide that for the record showing how much each class costs for delivery and handling, what percentage is paying its own way?

Mr. HARGROVE. We have that information for fiscal year 1970. Fiscal 1971 hasn't been completed.

Mr. MYERS. What did you provide for us last year?

Mr. HARGROVE. Last year we had the 1970 information by this time, but we filed it with the Postal Rate Commission. So we probably have already provided you with the 1970 information. This year because of the Rate Commission work which took a great deal of the people, the accumulation of that cost information has been delayed and is not yet ready for fiscal 1971. We can provide the estimate for fiscal year 1972 as submitted to the Postal Rate Commission on February 1, 1971.

(The information follows:)

Summary of Estimated FY 1972 Finances^{5/}
(Amounts in millions)

Line	Description (1)	Current rates			Proposed full rates		
		Costs (2)	Revenues ^{1/} (3)	Percent of attribut- able costs (4)	Revenues ^{2/} (5)	Percent of attribut- able costs (6)	Revenue contribution to other costs (7)
1	First class mail	\$2,357.0	\$3,517.1	149.2%	\$4,691.4	199.0%	\$2,334.4
2	Airmail	222.5	215.5	96.9	237.0	106.5	14.5
3	Priority mail	108.3	304.3	281.0	338.5	312.5	230.2
4	Second-class mail						
5	In-county	27.6	10.0	36.1	27.6	100.0	--
6	Outside county						
7	Nonprofit	54.7	12.6	23.1	54.7	100.0	--
8	Classroom	4.7	1.7	35.5	4.7	100.0	--
9	Regular rate	237.5	134.7	56.7	328.2	138.2	90.7
10	Transient	4.9	3.5	71.4	5.7	116.3	0.8
11	Total	329.4	162.5	49.3	420.9	127.8 ^{3/}	91.5
12	Controlled circulation	16.4	39.2	239.0	43.4	264.6	27.0
13	Third-class mail						
14	Single piece	101.2	107.8	106.5	179.6	177.5	78.4
15	Bulk-rate regular	416.2	674.0	162.0	864.3	207.7	448.1
16	Bulk-rate nonprofit	106.1	81.8	77.2	106.1	100.0	--
17	Total	623.5	863.7	138.5	1,150.0	184.4 ^{3/}	526.5
18	Fourth class						
19	Zone-rate	465.1	759.3	163.2	759.3	163.2	294.2
20	Special rate	117.7	97.6	83.0	178.6	151.7	60.9
21	Library rate	8.0	3.5	43.3	8.0	100.0	--
22	Total	590.8	860.4	145.6	945.9	160.1 ^{3/}	355.1
23	Federal Government mail	78.4	190.3	242.7	244.7	312.3	166.3
24	Free for the blind	2.8	--	--	--	--	(2.8)
25	International mail	161.4	308.2	191.0	328.5	203.6	167.1
26	Special services						
27	Registered mail	61.8	53.8	87.1	63.8	103.2	2.0
28	Special delivery	69.4	58.6	84.4	75.9	109.4	6.5
29	Other	45.9	200.6	437.0	200.6	437.0	154.7
30	Total	177.0	313.0	176.8	340.3	192.3	163.3
31	Nonpostal for other agencies	116.6	164.5	141.1	164.5	141.1	47.9
32	Unassignable	--	8.1	--	8.1	--	8.1
33	Total attributable costs	4,784.1	6,946.7	145.2	8,913.2	186.3 ^{3/}	
34	Total other costs ^{4/}	5,222.4					4,129.1
35	Public service appropriations		934.0		934.0		934.0
36	Continuing appropriations				159.3		159.3
37	Total all items	\$10,006.5	\$7,880.7		\$10,006.5		\$5,222.4 ^{4/}

1/ Includes distribution of related fees to subclasses.

2/ Includes \$512.1 million revenue forgone appropriation attributable to phased rates. Does not include other revenue forgone appropriations by type of mail. (See line 36)

3/ Does not include share of continuing appropriations (line 36). If those amounts were added the following cost coverages would be indicated: second class, 138.5%; third class, 202.8%; fourth class, 160.8%; and total attributable costs 189.6%.

4/ Includes contingency provision.

5/ Prepared for original submission to the Postal Rate Commission, February 1, 1971; figures tie to original FY 1972 budget.

COST COVERAGE BY CLASS OF MAIL

Mr. MYERS. Do you have any projections of what you hope to be able to accomplish this year in reaching some type of equality here among the rates? How soon do you expect to be to 100 percent in second and third class and fourth?

Mr. HARGROVE. There is a 5-year phasing period for second- and third-class mail and fourth class.

Mr. MYERS. Is third class still 5 years? I thought you cut it down.

Mr. HARGROVE. We have gone to approximately full rates because we did not get the appropriation immediately required for revenue foregone. Third-class regular is at about those rates now. Third-class nonprofit mail is on a 10-year phasing basis and they are still on the phased schedule.

Mr. MYERS. What percentage today is the estimated first class paying of its own way?

Mr. HARGROVE. This is a difficult term to define, Congressman—paying its own way. At present temporary rates each of the classes except second class is paying at least the out-of-pocket expenses plus a substantial contribution to the institutional costs. The 8-cent rate we fixed for first-class mail was, in our opinion, the appropriate share of the cost burden to be borne by first-class mail, and therefore I would say that first-class mail is carrying its own weight, paying its own way if you want to use the term, at the 8-cent level. And that third-class bulk mail, for instance, is paying its appropriate amount.

Mr. MYERS. If I recall correctly, last year we were told first class was paying something like 130 percent over costs.

Mr. HARGROVE. Under the temporary rates now in effect it is paying about 200 percent of its variable costs. By the same token third-class mail is also paying over 200 percent of its variable costs.

Mr. MYERS. How do you define "variable costs"?

Mr. HARGROVE. Those costs which vary directly in proportion to volume increases over a short period of time. This is what is called attributable costs. What we have interpreted as attributable costs is used in the Postal Reorganization Act rate—making provisions. These are what I call the out-of-pocket costs of handling a particular type of mail. Both first-class and third-class pay substantially more than their out of the pocket costs of handling.

Second class will also pay more than its out-of-pocket costs of handling when it gets to the end of the 5-year phasing. In the meantime the taxpayers, through the revenue foregone appropriation we are asking for here, will pay a portion of those costs for second-class mail and will pay a portion of the costs for the nonprofit mailers. The nonprofit mailers under the law are limited. There is a ceiling on the rate of the nonprofit mailers of 100 percent of the variable costs.

Mr. MYERS. A moment ago you said the reason you had to increase the third class was because this committee and the Congress did not appropriate sufficient funds. A moment ago you said it is already paying 200 percent. How can you say Congress made a mistake? You would have raised that regardless then because that was an avenue where you could get the increase. Is that a proper statement?

Mr. HARGROVE. I don't think I would completely agree with that interpretation. We fixed a rate of 5 cents which we thought was the

appropriate rate under the 5-year phasing. The third-class mail would have only paid 4.2 cents and the taxpayer eight-tenths of a cent. When the revenue foregone appropriation was not forthcoming, we moved to increase the third-class rate to the 5-cent level. That was the appropriate level we had determined before, but eight-tenths of a cent of it was to be paid by the taxpayer. Now none of it is being paid by the taxpayer. The third-class mailer is paying the entire 5-cent rate which does cover about 200 percent of the variable costs.

Mr. MYERS. My question is why did you single out third class to make that recommendation instead of including second and fourth class?

Mr. HARGROVE. The way in which the Office of Management and Budget requested the appropriation last year was to deliberately exclude revenue forgone on third-class mail. We understood the action of the Congress to comply with that request of the Office of Management and Budget.

Mr. MYERS. I don't agree but I will have to accept it.

Thank you.

Mr. STEED. Mr. Addabbo.

SPECIAL TASK FORCE ON CRIME

Mr. ADDABBO. Inspector Cotter, in your increase under law enforcement and security have any of your men been assigned to the Special Task Force on Crime?

Mr. COTTER. Yes, sir; on the organized crime force we have 17 inspectors assigned. And we just recently agreed to assign inspectors to the new Myles Ambrose Narcotics Strike Force.

Mr. ADDABBO. Would you supply for the record the dollar figure for those?

Mr. COTTER. The costs?

Mr. ADDABBO. Yes.

(The information follows:)

COST OF CERTAIN INSPECTION SERVICES

The Inspection Service participates actively on 17 of the 18 Department of Justice Joint Strike Force units combating organized crime. Seventeen postal inspectors are presently assigned to these units and the total cost is \$399,383.

Sixteen postal inspectors will be assigned throughout the country to 16 Drug Abuse Law Enforcement teams recently organized by the Department of Justice. No costs have been incurred to date, but the value of 16 inspectors fully occupied for 1 year would be \$311,320.

PORNOGRAPHY PROGRAM

Mr. ADDABBO. On my smut campaign, which has gone for naught I think if you just walk up and down the streets, have there been any significant complaints filed or indictments achieved in the last year?

Mr. COTTER. Yes. We had an awful lot of indictments returned on the major dealers, the latest one a group that was just condemned in California, the group that put out the illustrated version of the report of the President's Committee on Obscenity. You remember the legitimate report came out and this outfit in Los Angeles illustrated it. Then they started out sending out unsolicited advertisements of this material. We collected the evidence against them and presented it to the U.S. attorney. They were recently convicted and sentenced in Los Angeles within the last month. It is a very major case.

Mr. ADDABBO. Has there been any significant change in laws or regulations which have made your job any easier or harder?

Mr. COTTER. The provisions in the postal reform bill which gave the citizen the opportunity to list his name with the Postal Service and the Postal Service would maintain a computer listing of individuals who did not want to receive unsolicited pornographic advertising, and the requirement that the dealer in such advertising had to buy that list from the Postal Service and to insure that the individual is not on the list or subject himself to civil penalty we believe had a very fine effect on at least perhaps helping these fellows clean up their mailing lists.

In any event that law and an earlier law, the Antipandering Act and I believe our criminal prosecution—as a consequence the complaints have dropped tremendously.

CHANGE IN POSTAL CRIMES

Mr. ADDABBO. I would be very interested to see a possible survey for the next 90 days or as long as the freeze is in effect of the incidence of in-house burglars or tampering with the mail. I know that previous surveys in testimony here showed with the lowering of standards, so to speak, within the hiring practice of the Postal Service we had a tremendous increase in the incidence of crime within the service. I am just wondering whether we will see a marked decrease with the more stringent hiring practices.

Mr. KLASSEN. Whenever you have a degree of discipline they haven't been exposed to before it improves the performance and also cuts down the sort of thing you are talking about.

I should probably answer a little further. It is better otherwise we would be failing in our management performance.

MANAGEMENT UTILIZATION

I like to use an illustration. There are several functions in the inspection service that perhaps to some people including me at times seemed sort of a strange assignment. I want to refer to two locations that Cotter's people have recently surveyed and surveyed them primarily from a management utilization point of view.

They were both big post offices in the two extreme ends of the country, of comparable size.

At one post office the inspectors pointed out the kind of lack of utilization we had and the kind of improvement that could be made including service improvements, which have been implemented. Subsequently, we put in a new postmaster at this location and their initial recommendation was they could save \$6 million in the post office, and it is up to \$10 million in the one post office by greater utilization of people, to the point we now have surplus in this particular operation, people we don't need—period.

I want to jump to another one. The highlights of the illustration were not as dramatic. I referred to it this morning, a post office that had very static management. The postmaster had been there 50 years and four people 40 years or more.

To show you how important it is to have alert management, in the survey they made they found a postal truck going to a location every

day, and had been going there for years—opened his truck, the train wasn't there, and closed the doors and left again. We found out from the railroad that train hadn't been running for 6 years. Yet the same truck goes there every day. That is what I mean by trying to motivate both rank and file employees and the management. This was brought out by the diligence of some well-trained inspectors who knew what to look for.

Mr. ADDABBO. Thank you, Mr. Chairman.

BUILDING OPERATION

Mr. STEED. In the beginning the arrangement, as I understand, between the Post Office Department and the Government working through the GSA was that if a Federal building was occupied 55 percent or more by the old Post Office Department, you obtained title to it and the Government agencies located in the building became your tenants.

If on the other hand the Government occupied over 45 percent of the building you became the Government's tenant. Have you gotten most of these exchanges or arrangements for transfers of title completed with the GSA.

Mr. BAILAR. Yes, sir; Mr. Chairman. The Postal Service has title to those buildings in which we occupied over 55 percent of the space as was provided in the Postal Reorganization Act. We are renting the nonpostal space to other Government tenants. Conversely we are leasing space for postal requirements from the GSA in buildings to which we have not taken title.

Mr. STEED. Have there been any new construction projects where this arrangement applied?

Mr. FAUGHT. Last July the first of those existing buildings that we occupied more than 55 percent were transferred. I believe there were 2,781 of those. There were some buildings which were under construction or in a planning stage at that point in which we were jointly participating with GSA and have continued to participate with them. And these have proceeded.

There were a number of other buildings for which there had been plans for joint occupancy in which GSA had not gotten authorization to proceed or for some reason were not proceeding, and we are proceeding on six of those. We will build the buildings and GSA will occupy portions of them. In those cases our occupancy is the dominant occupancy and so we will be constructing them and provide GSA with the space. It is our program to coordinate these construction programs so that where there are efficiencies or economies involved in the joint occupancy we will certainly take advantage of that from the total standpoint.

BUILDING FOR SAN ANGELO, TEX.

Mr. STEED. I want to bring up a specific case because of the great interest that Congressman O. C. Fisher, from Texas, has expressed in it. It is San Angelo in his congressional district. It seems for some years there has been a projection there to build a new Federal facility for which the Post Office Department and the other Federal agencies together would have a combined space need sufficient to justify a Fed-

eral building. Of course the local citizens are very interested in the whole development.

For some reason or another, it got to a point where there was no progress being made, and on a recent visit here the civic leaders from the community were trying to find some way to advance the program.

It is my understanding that as a result, the situation currently is that the Post Office Department does need about 50,000 square feet of new work space in San Angelo, and that the other Federal agencies there could use a work space of about 10,000 square feet, which obviously, under the rule, would indicate the Post Office Department should be the landlord and you would need to build the facility and include extra space for lease to the Federal agencies.

But there has been some inclination on the part of GSA to back away from going into this joint project.

Have you any current information you can give us on that particular project?

Mr. FAUGHT. Yes; the background on San Angelo is that there was, I believe, prior to 1968, a joint plan which would be a new Federal building in San Angelo that would be occupied by the Postal Service and, I believe, by some Federal court and perhaps other Government agencies.

In December of 1968, we advised GSA that we were looking at 51,100 net assignable square feet.

Since that time, we have concluded that we would need a sectional center facility in that location. This is part of the nature of the change that we are trying to accomplish in these postal facilities; that is, we would want to design and build a facility which has enough acreage connected with it that we would be able to provide both the customer and truck maneuvering and our employee parking in accordance with the standards which we now have.

This generally requires more site and land area than has been provided by GSA joint projects.

We would want a building which was constructed according to our standards, which would not provide for a monumental type of construction but, rather, something appropriate to the community but which would realize any of the construction cost advantages that we could by our standardization program.

So, the plan has been to proceed with a facility of that nature. With every agreement and policy that we have with GSA, it would be appropriate from our standpoint as part of the plans to include space for GSA outleasing to the other Government agencies, whatever they would be, as long as this is done at a time appropriate to the design process so it can be done without realizing some abnormal cost increase.

Once the building was completed, there is a schedule of rentals which provides for rental costs to GSA and, conversely, to the Postal Service. These are balanced out once a year. These provisions could well apply to such an operation.

I think the most recent example of this is the six buildings which are now proceeding in accordance with the Office of Management and Budget's direction.

Mr. STEED. That would indicate to me there should not be any difficulty in working out this kind of arrangement at San Angelo.

Mr. FAUGHT. I cannot speak for the GSA specified requirements, but certainly from our standpoint, we would be more than willing to consider those as part of the design requirements, and, if at all appropriate, we would proceed on that basis.

CONTRIBUTION TO RETIREMENT FUND

Mr. STEED. As you know, there was a request made to the Bureau of the Budget for a \$62 million appropriation as a contribution to the civil service retirement fund to cover the part that the postal pay increase in January made necessary, which this subcommittee omitted without prejudice to seek further guidance, since the law does not seem to be quite clear on this particular item.

We have had some information that there has been a disagreement between the House and the Senate over whether this sort of cost should be borne by the Postal Corporation or whether it should be handled as it has been in past years. Also, it comes in the category of items that local management wanted to retain in the fringe benefit labor negotiations field.

Have you any comment or information on that item that would be helpful to us? If it is necessary that the fund be kept whole by direct appropriation by the subcommittee, we would like some guidance on it.

We did not leave it out in the first place with any intention of not picking it up later on if that is what the decision ought to be. We have asked the General Accounting Office to give us an opinion on it, and we have had some correspondence with our legislative committee on it. I would like to know if you have any comment on that.

Mr. KLASSEN. It seems to me there are two parts to your question.

FRINGE BENEFIT NEGOTIATIONS

One part has to do with whether or not we retain the right to negotiate the benefits of our people. That was given to us in the legislation we have been operating under.

During our last year's negotiation, while the union had strong demands for new and increased health and welfare benefits, they withdrew their demands in view of other benefits that were given to them.

For us to negotiate a contract and to have Congress abrogate that contract by giving the union what they want, to us makes no sense. It is important for us to have something to negotiate so that we may gain the kind of consideration we must have to operate efficiently.

There are times when we have to buy these things out as we did in the last negotiations.

With respect to the other part of your question, having to do with the moneys, are you prepared to talk about that?

Mr. CRAIG. I think we have two aspects to this part of the question, too.

LEGISLATION

From the legal standpoint, we are aware of your question to the General Accounting Office and, in fact, they have asked us for our views. We furnished them a copy of the memorandum which the former General Counsel, Mr. Nelson, prepared on this subject last year.

It is our view that under the current legislation, considering both the language of the legislation itself and its legislative history, it is clear that the funding for this unfunded liability should not come from the Postal Service but should instead come from the general fund of the Treasury.

That is our view of the law. I will stop there without getting into the questions of policy, and so forth.

Mr. STEED. I appreciate that. I think with that we will recess until 10 o'clock in the morning, when we will go into some more of the financial details.

General, we would be pleased to have you then, but we know you are a very busy man, and if you find it necessary not to be here tomorrow, we will understand the need for your absence.

BUDGET HIGHLIGHTS, FISCAL YEAR 1973

The Postal Reorganization Act of 1970, Public Law 91-375, converted the Post Office Department into the U.S. Postal Service, an independent establishment within the executive branch. The Postal Service commenced operations July 1, 1971. This agency is charged with providing patrons with reliable mail service at reasonable rates and fees.

The U.S. Postal Service is governed by an 11-member Board of Governors, including 9 Governors appointed by the President, and a Postmaster General and a Deputy Postmaster General who are selected by the Board.

Domestic postage rates, postal services, and classification of mail matter are subject to public notice and administrative hearing procedures under the authority of a 5-member Presidentially appointed Postal Rate Commission, which makes recommendations to the Governors. Final determinations on changes in mail rates or classifications are made by the Governors subject to appellate review.

The activities of the U.S. Postal Service are financed from the following sources: (1) mail and service revenue, (2) reimbursements from Federal and non-Federal sources, (3) proceeds from borrowing, (4) interest from U.S. securities and other investments, and (5) appropriations by the Congress. All receipts and deposits are made to the Postal Service Fund and are available without fiscal year limitation for payment of all expenses incurred, retirement of obligations, investment in capital, and, with appropriate advice or approval by the Secretary of the Treasury, investment in obligations and securities.

The 1973 program for the U.S. Postal Service is based on an anticipated mail volume of 90.8 billion pieces, compared to 88.9 billion estimated for 1972 and 87.0 billion in 1971.

The Postal Service's budget for fiscal year 1973 is estimated to be \$11,679,283,000, an increase of \$574,325,000, or 6.9 percent over fiscal year 1972. The estimate reflects the following assumption and objectives:

Mail volume will reach 90.764 billion pieces, an increase of 1.839 billion pieces, or 2.1 percent over fiscal year 1972.

1972 revenues reflect March 1, 1972, implementation of permanent rates with full rates for regular rate third-class mail effective January 23, 1972.

1973 revenues reflect additional rate increases around January 1, 1973, that will yield \$450 million in revenues during the second half of 1973.

Clerk productivity in 1972 will increase 5 percent over 1971 and increase 5 percent in 1973 over 1972.

City carrier productivity, based on pieces delivered, will increase 2.5 percent in 1972 and 2.7 percent in 1973.

Starting with 1972, compensation for injuries to postal employees to be financed on a full accrual basis with the accrued liability in 1972 being \$86.3 million and in 1973 being \$96 million.

End-of-year employment for 1972 to be 720,047 (in agreement with President Nixon's Federal employment objectives) and by end of fiscal year 1973 to be 708,869, a reduction of 11,178 positions.

Starting in 1972, a catastrophe reserve under self-insurance will be built up at the rate of \$2.5 million annually.

In 1972 \$250 million in bonds will be sold with an issuance date of February 1 and in 1973 an additional sale of \$250 million will be made with an issuance date of March 1.

Pay-increase costs are estimated to be \$631.5 million in fiscal year 1972 and \$387.5 million in fiscal year 1973.

Total revenues and subsidy appropriations for 1973 are estimated to be \$10.6 billion.

Total accrued costs are estimated to be \$10.5 billion for 1973, an increase of \$565 million or 5.7 percent over fiscal year 1972.

An operating surplus, before establishing a reserve for contingencies, is estimated to be \$94 million in 1973.

Full rates are included in the estimates for 1973, rather than "phased," for third-class mail, in view of the decision of the President not to request revenue forgone subsidy appropriations to provide the funds to phase such rates.

A capital investment program for 1973 of \$1.3 billion in commitments, up \$253 million from 1972. Major components include commitments of \$262 million in connection with a national bulk mail network and \$340 million in commitments for facilities to handle preferential mail—mostly first-class and airmail. In addition, some \$275 million in commitments is budgeted for mechanization not included in the building construction commitments. Almost \$125 million will be committed to improve buildings owned and leased by the Postal Service. Forty-one million dollars is earmarked for commitment for additional and replacement vehicles.

CATEGORY SUMMARY - COMMITMENTS

1971 - 1973

(in thousands of dollars)

CATEGORY	GFY 1971 Actual	GFY 1972 Estimate	Incr. or decr. (-)		GFY 1973 Estimate	Incr. or decr. (-) Amount	Pct.
			Amount	Pct.			
I. Services at small post offices.....	3,167,260	3,437,510	270,250	8.5	3,624,902	187,392	5.5
II. Window and collection services - large offices	276,781	287,527	10,746	3.9	304,457	16,930	5.9
III. Delivery services - large offices....	720,392	778,130	57,738	8.0	820,892	42,762	5.5
IV. Processing of mail - large offices...	2,452,766	2,684,530	231,764	9.4	2,793,564	109,034	4.1
V. Transportation.....	798,533	826,033	27,500	3.4	848,184	22,151	2.7
VI. Law enforcement.....	36,133	60,822	24,689	68.3	90,607	29,785	49.0
VII. Research, development, and engineering.....	61,959	83,347	21,388	34.5	102,168	18,821	22.6
VIII. Administration.....	506,053	710,467	204,414	40.4	745,049	34,582	4.9
IX. Logistical postal support:							
A. Capital	235,402	1,074,322	838,920	356.4	1,327,253	252,931	23.5
B. Expense	760,092	901,156	141,064	18.6	989,927	88,771	9.9
Total Postal Fiscal Year Commitments....	9,015,371	10,843,844	1,828,473	20.3	11,647,003	803,159	7.4
X. Conversion of postal fiscal year to government fiscal year.....	31,761	81,114	49,353	155.4	32,280	-48,834	-60.2
TOTAL GOVERNMENT FISCAL YEAR COMMITMENTS 1/.....	9,047,132	10,924,958	1,877,826	20.8	11,679,283	754,325	6.9

1/ Includes commitments incurred for prior year costs in 1972 of \$76,509,000 and in 1973 of \$32,539,000.

2/15/72

U. S. POSTAL SERVICE - MANPOWER SUMMARY
1971 - 1973

	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Percent		Amount	Percent
POSITIONS							
I. Services at small post offices	308,762	304,847	-3,915	- 1.3	302,063	- 2,784	- 0.9
II. Window and collection services	25,996	24,041	-1,955	- 7.5	24,184	143	0.6
III. Delivery services	69,283	68,207	-1,076	- 1.6	68,016	- 191	- 0.3
IV. Processing of mail	243,877	242,133	-1,744	- 0.7	228,386	-13,747	- 5.7
V. Transportation	8,052	8,130	78	1.0	8,260	130	1.6
VI. Law enforcement	2,161	5,286	3,125	144.6	7,033	1,747	33.0
VII. Research, development, and engineering	534	179	- 355	- 66.5	199	20	11.2
VIII. Administration	31,929	30,801	-1,128	- 3.5	33,191	2,390	7.8
IX. Logistical postal support	33,750	36,423	2,673	7.9	37,537	1,114	3.1
Net Positions <u>1/</u>	724,344	720,047	-4,297	- 0.6	708,869	-11,178	- 1.6
MAN-YEARS							
I. Services at small post offices	304,091	301,185	-2,906	- 1.0	300,660	- 525	- 0.2
II. Window and collection services	25,543	23,932	-1,611	- 6.3	24,065	133	0.6
III. Delivery services	71,181	69,907	-1,274	- 1.8	69,710	- 197	- 0.3
IV. Processing of mail	240,485	239,378	-1,107	- 0.5	230,246	- 9,132	- 3.8
V. Transportation	8,219	8,400	181	2.2	8,534	134	1.6
VI. Law enforcement	2,026	3,891	1,865	92.1	6,268	2,377	61.1
VII. Research, development, and engineering	584	169	- 415	- 71.1	189	20	11.8
VIII. Administration	34,201	30,855	-3,346	- 9.8	33,751	2,896	9.4
IX. Logistical postal support	34,383	37,060	2,677	7.8	38,192	1,132	3.1
Total Postal Fiscal Year	720,713	714,777	-5,936	- 0.8	711,615	- 3,162	- 0.4
government fiscal year	2,868	5,062	2,194	76.5	1,371	- 3,691	-72.9
Total Government Fiscal Year	723,581	719,839	-3,742	- 0.5	712,986	- 6,853	- 1.0

1/ Excludes summer youths and 159 W. A. E. consultants.

2/15/72

U. S. POSTAL SERVICE
FINANCIAL AND STATISTICAL SUMMARY
(thousands of dollars)

Line No.	Item	1971 Actual	1972 Estimate	1973 Estimate
	<u>Commitments Incurred</u>			
1	Operating expenses.....	8,811,730	9,774,127	10,319,491
2	Capital investment.....	235,402	1,074,322	1,327,253
3	Carryover and operating receipts.....	(...)	(493,924)	(266,129)
4	Borrowing authority.....	(...)	(580,398)	(1,061,124)
5	Other funded requirements.....	...	76,509	32,539
6	Total.....	9,047,132	10,924,958	11,679,283
7	<u>Uncommitted End of Year</u>			
8	Operations.....	73,720	...	...
9	Capital.....	477,668	...	...
10	Borrowing authority.....	10,000,000	9,419,602	8,358,478
11				
12				
13	Total.....	10,551,388	9,419,602	8,358,478
14	<u>Budgeted Expenditures</u>			
15	Payments.....	9,089,997	10,252,055	10,651,288
16	Cash receipts (other than from borrowing).....	-6,905,599 1/	-9,727,174	-10,665,959
17	Net expenditures.....	2,184,398	524,881	14,671
18	<u>Revenue and Expenses (Cost Basis)</u>			
19	Accrued expenses.....	9,042,277	9,903,150	10,468,550
20	Less: Revenue and operating reimbursements.....	6,795,685	8,353,180	9,171,320
21	Accrued net expenses.....	2,246,592	1,549,970	1,297,230
22	Less: Subsidies.....	-844,500	-1,361,200	-1,391,500
23	Net income or loss(-) for year.....	-1,402,092	-188,770	94,270
24	<u>Other Statistics</u>			
25	Volume of mail - pieces (millions).....	86,983	88,925	90,764
26	Special services - transactions (thousands).....	543,848	544,218	548,246
27	Employment (man-years).....	723,581	719,839	712,986
28	Filled positions (on-rolls).....	724,344 2/	720,047	708,869
1/	Excludes \$988 thousand adjustment in receipts which was not reflected on U. S. Treasury Statement of Accounts because data was provided after their close out.			
2/	Excludes 4,408 summer youth employees and 159 W. A. E. consultants.			

1/19/72

FINANCIAL SUMMARY FY 1973
(thousands of dollars)

Line No.	Item	Accrued Expenses	Cash Expenditures	Commitments
1	Expense Program:			
2	Services at small offices.....	3,624,902	3,606,170	3,624,902
3	Window and collection services - large offices.....	304,457	302,865	304,457
4	Delivery services - large offices.....	820,892	816,868	820,892
5	Processing of mail - large offices.....	2,793,564	2,781,708	2,793,564
6	Transportation.....	848,184	846,569	848,184
7	Law enforcement.....	90,607	89,167	90,607
8	Research, development, and engineering.....	91,408	91,369	102,168
9	Administration.....	712,510	578,387	712,510
10	Logistical postal support - expenses.....	989,651	931,957	989,927
11	Conversion of postal fiscal year to government fiscal year.....	32,280	81,114	32,280
12	Total operating expenses (funded).....	<u>10,308,455</u>	<u>10,126,174</u>	<u>10,319,491</u>
13	Other Operating Expenses (nonfunded):			
14	Depreciation and asset write-offs.....	160,000	...	...
15	Amortization of debt discount and expense.....	95	...	...
16	Total operating expenses.....	<u>10,468,550</u>	<u>10,126,174</u>	<u>10,319,491</u>
17	Other Funding Requirements:			
18	Workmen's Compensation.....	...	33,173	1,539
19	Liability for accrued leave.....	...	...	31,000
20	Capital Program.....	...	491,941	1,327,253
21	Total Budget.....	<u>10,468,550</u>	<u>10,651,288</u>	<u>11,679,283</u>

2/15/72

SOURCES AND APPLICATION OF FUNDS
(thousands of dollars)

Line No.	Item	1971 Actual	1972 Estimate	1973 Estimate
1	Sources:			
2	From operations:			
3	Operating surplus or loss (-) 1/	339,536	- 188,770	94,270
4	Depreciation, amortization, and other nonfunded costs:	<u>160,567</u>	136,948	<u>160,095</u>
5	Total	500,103	- 51,822	254,365
6	Issuance of long-term debt	...	250,000	250,000
7	Sales of assets	9,269	22,470	22,800
8	Prior year adjustments for unfunded POD liabilities	...	56,322	32,539
9	Total	<u>509,372</u>	<u>276,970</u>	<u>559,704</u>
10	Application:			
11	Capital additions	251,028	470,135	491,941
12	Increase or decrease (-) in working capital	258,344	-193,165	67,763
13	Total	<u>509,372</u>	<u>276,970</u>	<u>559,704</u>

1/ Amount for 1971 reflects difference between appropriated funds and operating deficit.

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND - PROGRAM AND FINANCING
 (thousands of dollars)

Line No.	Item	1971 Actual	1972 Estimate	1973 Estimate
1	Program by activities:			
2	Operating costs, funded:			
3	Services at small post offices.....	3,183,662	3,437,510	3,624,902
4	Window and collection services -- large offices.....	278,043	287,527	304,457
5	Delivery services -- large offices.....	724,138	778,130	820,892
6	Processing of mail -- large offices.....	2,465,974	2,684,530	2,793,564
7	Transportation.....	798,967	826,033	848,184
8	Law enforcement.....	36,291	60,822	90,607
9	Research, development, and engineering.....	59,231	75,698	91,408
10	Administration.....	542,241	633,958	712,510
11	Logistical postal support.....	761,402	900,880	989,651
12	Conversion of postal fiscal year to government fiscal year.....	31,761	81,114	32,280
13	Total operating costs funded.....	8,881,710 ^{1/}	9,766,202	10,308,455
14	Change in selected resources 2/.....	- 69,980	7,925	11,036
15	Total operating commitments.....	8,811,730	9,774,127	10,319,491
16	Capital outlay, funded:			
17	Research, development, and engineering.....	4	...	...
18	Logistical postal support, capital investment.....	251,024	470,135	491,941
19	Total capital outlay, funded.....	251,028	470,135	491,941
20	Change in selected resources 2/.....	- 15,626	604,187	835,312
21	Total capital outlay commitments.....	235,402	1,074,322	1,327,253

^{1/} Includes \$105,500 thousand covering the retroactive cost (April 18 - June 30, 1970) of the 8 percent pay raise (39 USC 1003(b)).

^{2/} Balance of selected resources are identified on the Statement of Financial Condition. Changes shown above exclude \$9,500 thousand prior year adjustment downward in 1971, and \$56,322 thousand of appropriations in 1972 and \$1,539 thousand in 1973 applied to cover the Post Office Department unfunded liability for Workmen's Compensation; \$20,187 thousand applied in 1972 to cover the unfunded liability for the retirement bonus; and \$31,000 thousand of appropriations in 1973 applied to reduce the POD unfunded liability for employees' earned and unused annual leave.

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND - PROGRAM AND FINANCING - cont'd
 (thousands of dollars)

Line No.	Item	1971	1972	1973
		Actual	Estimate	Estimate
22	Adjustment for prior year commitments			
23	Workmen's Compensation	...	56,322	1,539
24	Retirement bonus	...	20,187	...
25	Employees' earned and unused annual leave	...	...	31,000
26	Total commitments	9,047,132	10,924,958	11,679,283
27	Financing:			
28	Receipts and reimbursements from:			
29	Federal funds:			
30	Receipts from other Government agencies for mail and other postal services	206,236	257,179	263,490
31	Reimbursements, operating	126,825	138,207	128,646
32	Public service and transitional subsidies	...	1,417,522	1,424,039
33	Receipts from investments	...	72,500	46,200
34	Non-Federal sources:			
35	Mail and other postal services	6,458,751	7,877,681	8,725,506
36	Reimbursements	13,142	26,283	26,478
37	Receipts from investments	...	3,800	3,800
38	Uncommitted balance available, start of year:			
39	Authority to spend public debt receipts	...	10,000,000	9,419,602
40	Fund balance	216,940	551,388	...
41	Uncommitted balance available, end of year:			
42	Authority to spend public debt receipts	10,000,000	9,419,602	8,358,478
43	Fund balance	551,388	...	...
44	Uncommitted balance lapsing	...	...	...
45	Budget authority	12,576,626	...	...

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND - PROGRAM AND FINANCING - cont'd
 (thousands of dollars)

Line No.	Item	1971 Actual	1972 Estimate	1973 Estimate
46	Relation of commitments to outlays:			
47	Commitments incurred, net.....	2,242,178		
48	Committed balance, start of year:		1,131,786	1,061,124
49	Authority to spend agency debt receipts.....			330,398
50	Fund balance.....	857,674	912,149	1,188,656
51	Committed balance, end of year:			
52	Authority to spend agency debt receipts.....			
53	Fund balance.....	- 912,149	- 330,398	-1,141,522
54	Adjustment in expired accounts (prior years) net....	- 3,305	-1,188,656	-1,453,327
55	Outlays.....	2,184,398	524,881	- 14,671

The following program activities are included in the budget estimates:

1. Services at small post offices: The activity provides for services performed at all post offices below the 176 largest. Functions covered are processing of mail; window services; supervisory and administrative costs at these offices; collection of mail, including collection from classified and contract stations and branches associated with these post offices, and city, special, and rural mail delivery services.
2. Window and collection services -- large offices: Window and collection services, including registry, insured, collect-on-delivery, and customs services at the 176 largest post offices and related classified and contract stations and branches are provided for in this activity. Servicing and minor maintenance of stamp vending machines and self-service postal units, and costs of stations and branches operated under contract are included.
3. Delivery services -- large offices: This activity provides for the delivery of all classes of mail to private individuals and businesses in cities and residential areas serviced by the 176 largest post offices, including special delivery services and rural routes associated with such offices.
4. Processing of mail -- large offices: This activity provides for those operations involved in the processing of all classes of incoming and outgoing mail at the 176 largest post offices. Related platform operations and preparation of mail for delivery are included.

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5. Transportation: Included in this activity are local, inter-city, and international transportation of mail or mail containers by air, rail, highway, and water.
6. Law enforcement: This activity provides for the investigative and law enforcement responsibilities of the Postal Inspection Service pertaining to the violation of postal laws, prevention and detection of loss and mistreatment of mails, and losses of Government funds and property. Cooperative efforts in the national program to combat organized crime, activities directed toward crime prevention within the Postal Service, security programs for protection of postal personnel and property, and administrative functions are included.
7. Research, development, and engineering: This activity provides for the conduct of in-house and contractual general research, applied research and development, systems planning and design, and industrial engineering programs in the Postal Service. These programs involve application of advanced management sciences and technical skills to the identification and evaluation of new technological capabilities, the improvement of the working environment, and the planning and design of postal facilities and mechanized systems. Administrative functions of the Research Department are included.

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8. Administration: This activity provides for the overall planning and management of Postal Service programs, related support services, and internal audit functions at Headquarters and field offices. Costs of contractual professional and technical services, the Board of Governors, the Postal Service Advisory Council, the Postal Rate Commission and staff, and the Regional Management Selection Boards are included. Administration and operation of management information systems such as the Postal Source Data System, and the training programs of the Postal Service Management Institute, the Oklahoma Postal Training Operations, and the Postal Academy Training Institute are covered in this activity. Contributions to the unemployment and workmen's compensation funds, claims and indemnities, and costs of employees' earned but unused annual leave are also included.
9. Logistical postal support -- capital investment: This activity provides for the capital investment program of the Postal Service and includes acquisition of sites, construction of postal facilities, purchase of leased buildings, alteration and improvement of leased and owned facilities, operation of the Mail Equipment Shops, and investments in major mail processing machinery and equipment in large postal facilities designed for such installations. **Purchase** of vehicles and auxiliary equipment for replacement of worn-out vehicles and for additions to the fleet required by growth in mail volume and delivery area, augmentation of the carrier

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motorization program, and law enforcement functions are included in the capital investment program. Customer services equipment, which includes self-service postal units and vending machines, and equipment required for support of postal operations are also included. Debt discount and expense related to borrowing are provided for in this activity.

10. Logistical postal support - expense: This activity includes the rental, operation, and maintenance of leased facilities, operating supplies and maintenance required for the postal vehicle fleet, and supplies and procurement related to postal operations. Administration and operation of the Area Supply Centers, Label Printing Units, Mailbag Repair Centers and Depositories, and the Stamped Envelope Agency are also provided for in this activity. Interest on borrowing is included.
11. Conversion of postal fiscal year to government fiscal year: This activity provides for the costs associated with conversion from a postal fiscal year, which is the basis for all in-service estimating, reporting, and program evaluation, to a government fiscal year.

STATEMENT OF REVENUE AND EXPENSE
(thousands of dollars)

Line No.	Item	1971		1972		1973	
		Actual	Estimate	Estimate	Estimate		
1	Revenue and operating receipts:						
2	Mail and services revenue	6,664,987		8,134,860		8,988,996	
3	Investment income	...		76,300		50,000	
4	Reimbursements for nonpostal services and operating expenses	130,698		142,020		132,324	
5	Revenue other than subsidies	6,795,685		8,353,180		9,171,320	
6	Public service and transitional subsidies 1/	...		1,361,200		1,391,500	
7	Total revenue and operating receipts	<u>6,795,685</u>		<u>9,714,380</u>		<u>10,562,820</u>	
8	Operating expenses:						
9	Payable from Postal Service Fund, funded:						
10	Services at small post offices	3,183,662		3,437,510		3,624,902	
11	Window and collection services -- large offices	278,043		287,527		304,457	
12	Delivery services -- large offices	724,138		778,130		820,892	
13	Processing of mail -- large offices	2,465,974		2,684,530		2,793,564	
14	Transportation	798,967		826,033		848,184	
15	Law enforcement	36,291		60,822		90,607	
16	Research, development, and engineering	59,231		75,698		91,408	
17	Administration	542,241		633,958		712,510	
18	Logistical postal support	761,402		900,880		989,651	
19	Conversion of postal fiscal year to government fiscal year	31,761		81,114		32,280	
20	Total operating expenses (payable from Postal Service Fund, funded)	<u>8,881,710</u>		<u>9,766,202</u>		<u>10,308,455</u>	
21	Other operating expenses (nonfunded):						
22	Depreciation and amortization of fixed assets	97,276		111,918		130,000	
23	Expendable equipment and chargeoffs	24,237		25,000		30,000	
24	Amortization of debt discount and expense	...		30		95	
25	Building maintenance and custodial services provided by General Services Administration 2/	25,644		...		...
26	Unemployment benefits paid by Department of Labor 2/	13,410		...		...
27	Total other operating expenses (nonfunded)	<u>160,567</u>		<u>136,948</u>		<u>160,095</u>	
28	Total operating expenses (deduct)	<u>9,042,277</u>		<u>9,903,150</u>		<u>10,468,550</u>	
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STATEMENT OF REVENUE AND EXPENSE - cont'd
(thousands of dollars)

Line No.	Item	1971	1972	1973
		Actual	Estimate	Estimate
29	Net operating income or loss (-) for year.....	-2,246,592	-188,770	94,270
30	Nonoperating income or loss (-):			
31	Proceeds from sale of assets	9,269	22,470	22,800
32	Net book value of assets sold (-)	- 9,269	- 22,470	-22,800
33	Net income or loss (-) for the year.....	-2,246,592	-188,770	94,270

1/ Excludes \$56,322,000 in 1972 and \$1,539,000 in 1973 funding of Post Office Department's liability for Workmen's Compensation Fund and \$31,000,000 in 1973 funding of Post Office Department's liability for employees' earned and unused annual leave.

2/ Funded in operating expenses in 1972 and 1973.

Amounts estimated to become available in 1973 include \$9,194,120,000 from revenues and receipts, of which \$22,800,000 is from sale of assets at book value; \$250,000,000 from authorized borrowings; and \$1,424,039,000 from the appropriation, "Payments to the Postal Service Fund," of which \$1,539,000 covers POD liability to the Workmen's Compensation Fund, and \$31,000,000 covers POD unfunded liability for employees' earned and unused annual leave. Total cash from these sources is estimated to be \$10,868,159,000.

Section 2005 of the Postal Reorganization Act authorizes borrowing authority of \$10 billion for the Service with a yearly limitation of \$2 billion, of which not more than \$500 million may be used to cover operating expenses. As of June 30, 1972, it is expected that obligations outstanding will amount to \$500 million. These obligations will be for the purpose of covering capital commitments entered into after July 1, 1971.

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STATEMENT OF FINANCIAL CONDITION
As of June 30
(thousands of dollars)

Line No.	Item	1970 Actual	1971 Actual	1972 Estimate	1973 Estimate
1	<u>Assets:</u>				
2	<u>Current assets:</u>				
3	Cash.....	1,320,232	1,757,088	149,656	1,251,827
4	Investments.....	...	...	...	500,000
5	Accounts Receivable:				
6	U. S. Government Agencies.....	94,347	101,707	102,500	104,500
7	Foreign Countries.....	25,423	24,438	25,000	25,500
8	Interest.....	...	...	64,000	15,000
9	Other.....	9,542	5,222	7,000	7,100
10		<u>129,312</u>	<u>131,367</u>	<u>198,500</u>	<u>152,100</u>
11	Less allowance.....	...	6,851	7,000	7,000
12	Accounts receivable, net.....	<u>129,312</u>	<u>124,516</u>	<u>191,500</u>	<u>145,100</u>
13	Supplies, advances and prepayments ^{1/}	52,283	51,286	53,511	54,511
14	Total current assets.....	<u>1,501,827</u>	<u>1,932,890</u>	<u>1,727,667</u>	<u>1,951,438</u>
15	Property and equipment, net.....	<u>1,259,405</u>	<u>1,415,466</u>	<u>1,726,183</u>	<u>2,035,229</u>
16	Total assets.....	<u>2,761,232</u>	<u>3,348,356</u>	<u>3,453,850</u>	<u>3,986,667</u>
17	<u>Liabilities:</u>				
18	<u>Current liabilities:</u>				
19	Outstanding postal money orders.....	234,864	279,699	280,000	284,000
20	Accrued payroll ^{2/}	222,972	284,002	138,898	170,830
21	Payroll taxes and civil service retirement, including amounts withheld.....	120,455	128,245	135,200	141,900
22	Workmen's compensation ^{1/ 3/}	43,840	57,790	55,073	52,575
23	Accounts payable to other U. S. Government agencies.....	36,394	49,325	54,325	57,825
24	Other accounts payable and accrued expenses ^{1/} ..	154,961	157,286	172,495	183,080

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STATEMENT OF FINANCIAL CONDITION - cont'd
As of June 30
(thousands of dollars)

Line No.	Item	1970 Actual	1971 Actual	1972 Estimate	1973 Estimate
25	Prepaid permit mail and box rentals.....	76, 828	89, 818	91, 300	93, 700
26	Estimated prepaid postage in the hands of the public.....	...	...	300, 000	300, 000
27	Total current liabilities.....	<u>890, 314</u>	<u>1, 046, 165</u>	<u>1, 227, 291</u>	<u>1, 283, 910</u>
28	Long-term debt:				
29	U. S. P. S. gross revenue bonds.....	...	...	250, 000	500, 000
30	Reserves:				
31	Workmen's compensation ³/.....	...	...	64, 400	129, 725
32	Catastrophe insurance.....	...	...	2, 500	5, 000
33	Employees accumulated annual leave ⁴ /.....	333, 368	372, 796	412, 783	444, 347
34	Total reserves.....	<u>333, 368</u>	<u>372, 796</u>	<u>479, 683</u>	<u>579, 072</u>
35	Total liabilities.....	<u>1, 223, 682</u>	<u>1, 418, 961</u>	<u>1, 956, 974</u>	<u>2, 362, 982</u>
36	Government equity:				
37	Undelivered orders: ¹ /				
38	Operations.....	51, 032	66, 723	74, 372	85, 132
39	Capital investment.....	363, 102	339, 484	943, 671	1, 778, 983
40	Total undelivered orders.....	<u>414, 134</u>	<u>406, 207</u>	<u>1, 018, 043</u>	<u>1, 864, 115</u>
41	Uncommitted balances:				
42	Authority to spend public debt receipts.....	...	10, 000, 000	9, 419, 602	8, 358, 478
43	Fund balance.....	216, 940	551, 388	...	...
44	Total unexpended balance.....	<u>631, 074</u>	<u>10, 957, 595</u>	<u>10, 437, 645</u>	<u>10, 222, 593</u>
45	Undrawn borrowing authorizations.....	...	-10, 000, 000	-9, 750, 000	-9, 500, 000
46	Total funded balance.....	<u>631, 074</u>	<u>957, 595</u>	<u>687, 645</u>	<u>722, 593</u>
47	Investment in property, equipment, and inventories, net.....	906, 476	971, 800	809, 231	901, 092
48	Total Government equity.....	<u>1, 537, 550</u>	<u>1, 929, 395</u>	<u>1, 496, 876</u>	<u>1, 623, 685</u>

STATEMENT OF FINANCIAL CONDITION - cont'd
As of June 30
(thousands of dollars)

Line No.	Item	1970		1971		1972		1973	
		Actual	Actual	Actual	Estimate	Estimate	Estimate	Estimate	
Analysis of Changes in Government Equity									
49	Non-interest bearing capital:								
50	Start of year.....	1,149,834	1,537,550	1,929,395	1,496,876				
51	Transfers and prior year adjustments 1/.....	164,745	61,811	- 243,749 ^{5/}	32,539 ^{6/}				
52	Appropriations.....	1,732,786	2,576,626	...	...		
53	Net income or loss (-) for the year.....	-1,509,814	-2,246,592	- 188,770	94,270				
54	Total.....	1,537,550	1,929,395	1,496,876	1,623,685				

These items are included in the "Change in selected resources" entries on the program and financing schedule in their entirety. Other items are only partially applicable to these entries.

The 1971 amount includes \$20,187,000 for a retirement bonus to be funded in 1972 out of operations.

Workmen's compensation amounts reported under current liabilities for 1970 and 1971 represent unfunded liabilities

funded in future years through appropriations (for cost of injuries occurring prior to June 30, 1971) and through the

operations process (for post June 30, 1971 injuries). The amounts reported under the Reserves section of the

balance sheet reflect the change in policy in financing Workmen's Compensation to show full accrued cost for injuries

in the year in which they occur.

At the beginning of Fiscal Year 1972 the Postal Service carried a liability of \$372,796,000 from the former Post

Office Department for earned and unused annual leave of postal employees. This liability will be funded over a

period of 12 years through the appropriation process. The 1973 appropriation request for this item amounts to

\$31,000,000 (see note 6). The amount of \$412,783,000 reported in the reserves for 1972 includes a funded amount

of \$39,987,000. The \$444,347,000 for 1973 includes a funded amount of \$102,551,000.

The \$243,749,000 decrease in equity in 1972 is a net of three items. Item 1 is the establishment of a current

liability to reflect estimated postage in the hands of the public. Item 2 is the \$56,322,000 receipts from the

Appropriation "Payments to the U. S. Postal Fund" to cover POD liability to the Workmen's Compensation Fund.

Item 3 is a prior year adjustment of \$71,000 for underaccrual of workmen's compensation cost in 1970.

The \$32,539,000 represents receipts from the Appropriation "Payment to U. S. Postal Fund" to cover POD

liability to the Workmen's Compensation Fund in the amount of \$1,539,000; and \$31,000,000 to apply against

the liability of the U. S. Government to postal employees for earned and unused annual leave balances as of

June 30, 1971.

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STATEMENT OF FINANCIAL CONDITION - cont'd

The end-of-year balances in both Accounts Receivable and Accounts Payable reflect normal billing cycles.

At the beginning of Fiscal Year 1972 the Postal Service carried a liability of \$372,796,000 from the former Post Office Department for earned and unused annual leave of postal employees. This liability will be funded over a period of 12 years through the appropriation process. The 1973 appropriation request for this item amounts to \$31,000,000.

The transfers and prior year adjustments requested in total in the Analysis of Changes in Government Equity are as follows:

<u>Item</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
		(\$000)		
Nonfunded expenses transferred from other agencies:				
Depreciation on GSA buildings.....	4,478	4,381	...	...
Building maintenance and custodial service provided by GSA.....	25,999	25,644	...	...
Unemployment benefits paid by Department of Labor.....	11,212	13,410	...	...
Adjustment in expired accounts (prior years).....	2,255	- 3,305	...	...
Prior year adjustment to asset accounts.....	- 10,800	-43,684	...	...
Transfers of assets to other agencies.....	- 4,903	-18,180	...	...
Transfers of assets from other agencies.....	136,504	83,545	...	...
Previous unfunded liability of the Post Office Department.....	...	...	56,251	32,539
Adjustment for estimated pre-paid postage in the hands of the public...	164,745	...	-300,000	...
Total transfers and prior year adjustments.....	<u>164,745</u>	<u>61,811</u>	<u>-243,749</u>	<u>32,539</u>

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U. S. POSTAL SERVICE - Federal Funds

General and special funds:

PAYMENT TO THE POSTAL SERVICE FUND

For payment to the Postal Service Fund for public service costs and for revenue forgone on free and reduced-rate mail, pursuant to 39 U. S. C. 2401 (b) and (c), and for meeting the liabilities of the former Post Office Department to the Employees' Compensation Fund and to postal employees for earned and unused annual leave balances as of June 30, 1971 pursuant to 39 U. S. C. 2004, \$1,424,039,000, of which \$920,000,000 is for public service costs and \$471,500,000 is for revenue forgone on free and reduced-rate mail.

PROGRAM AND FINANCING
(thousands of dollars)

	1971 <u>Actual</u>	1972 <u>Estimate</u>	1973 <u>Estimate</u>
<u>Program by activities:</u>			
Payment to the Postal Service Fund for:			
Previous non-funded liabilities of the Post Office Department.....	...	56,322	32,539
Public service costs	903,600	920,000
Free and reduced-rate mail	<u>457,600</u>	<u>471,500</u>
Total payments to the Postal Service Fund (costs-commitments)(object class 41.0).....	...	1,417,522	1,424,039

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PAYMENT TO THE POSTAL SERVICE FUND

PROGRAM AND FINANCING - cont'd
(thousands of dollars)

	1971 <u>Actual</u>	1972 <u>Estimate</u>	1973 <u>Estimate</u>
Financing:			
Budget authority (appropriation).....	...	1, 417, 522	1, 424, 039
Relation of commitments to outlays:			
Commitments incurred, net.....	...	1, 417, 522	1, 424, 039
Outlays.....	...	1, 417, 522	1, 424, 039

This appropriation is for the purpose of reimbursing the U. S. Postal Service for public service costs and loss in revenue associated with revenue forgone on free and reduced-rate mail, pursuant to 39 U. S. C. 2401(b) and (c), and for transitional costs pursuant to 39 U. S. C. 2004. The \$32, 539, 000 requested for previously unfunded liabilities of the former Post Office Department provides \$1, 539, 000 to cover the difference between the amount appropriated in 1972 and the actual costs for payments to the Employees' Compensation Fund for fiscal years 1970 and 1971 and \$31, 000, 000 to cover one-twelfth of the \$372, 976, 423 in earned and unused annual leave balances due postal employees on June 30, 1971, from the former Post Office Department.

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CONVERSION OF POSTAL FISCAL YEAR
TO GOVERNMENT FISCAL YEAR
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
Man-years.....	2,868	5,062	2,194	76.5	1,371	-3,691	-72.9
COMMITMENTS (\$000).....	31,761	81,114	49,353	155.4	32,280	48,834	-60.2

This activity provides for the costs associated with conversion from a postal fiscal year, which is the basis for all in-service estimating, reporting, and program evaluation, to a govern-

ment fiscal year. The \$48.8 million decrease in 1973 represents the effect of there being only one extra day, a Saturday, in the 1973 Government Fiscal Year compared with the Postal Fiscal Year, while in 1972 there were two additional days, both weekdays.

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CATEGORY X - CONVERSION OF POSTAL FISCAL YEAR TO GOVERNMENT FISCAL YEAR

SPECIAL EXHIBITS

U. S. Postal Service
Volume of Mail and Special Services, and Postal Revenue
for Fiscal Years 1971, 1972, and 1973

CLASSIFICATION	Actual 1971			Estimated 1972			Estimated 1973		
	Pieces or transactions (thousands)	Postal revenue (thousands)	Percent Over Prior Year Units Revenue	Pieces or transactions (thousands)	Postal revenue (thousands)	Percent Over Prior Year Units Revenue	Pieces or transactions (thousands)	Postal revenue (thousands)	Percent Over Prior Year Units Revenue
DOMESTIC MAIL:									
First Class.....	50,035,754	\$3,506,137	2.87	51,469,179	\$4,621,479	2.86	53,006,164	\$4,776,672	2.99
Priority Mail (Heavy Pieces).....	196,964	302,888	6.64	205,850	344,581	4.51	215,326	360,443	4.60
Airmail.....	1,457,405	197,879	-4.94	1,474,895	214,902	1.20	1,497,953	218,262	1.56
Second Class.....	9,653,670	156,628	2.70	9,857,100	198,775	2.43	10,020,906	231,652	1.37
Controlled Circulation Publications.....	322,413	32,324	-7.12	20,499,900	94,172	-0.83	20,673,060	1,109,656	-0.14
Third Class.....	20,922,453	819,352	-0.97	20,961,100	852,952	-0.68	20,973,300	863,082	1.27
Fourth Class.....	2,495,607	191,642	1.54	2,501,687	235,570	2.65	2,614,068	240,398	2.04
Post Office Official Mail.....	250,100	14,594	18.09	28,17	21,609	8.06	288,548	23,092	6.80
Franked Mail.....	18,545	20,26	20.26	19,514	21,609	5.22	20,625	23,092	5.69
Free-for-fee-Blind Mail.....	86,080,271	6,065,591	2.49	88,002,095	7,473,300	2.23	89,818,001	7,858,988	2.06
Total Domestic Mail and Revenue.....	365,280	68,580	0.02	371,700	66,403	1.76	378,021	88,021	1.85
INTERNATIONAL MAIL (Originating):	357,451	85,025	1.17	351,210	193,622	2.56	357,526	199,425	2.96
Surface Mail.....	902,731	276,743	0.70	922,910	305,303	2.24	946,099	314,400	2.51
Airmail.....	86,983,002	6,342,334	2.48	88,925,005	7,778,603	2.23	90,764,100	8,173,388	2.07
Total International Mail & Revenue.....	362,297	206,826	0.40	366,808	238,743	1.24	374,716	247,484	2.16
TOTAL VOLUME AND REVENUE FROM MAIL:	181,351	35,064	-0.11	177,415	33,898	-2.28	175,530	34,809	-2.19
SPECIAL SERVICES:	...	953	...	1,000	...	4.93	...	1,000	...
Mail-connected special services.....	...	48,903	...	...	...	10.88	...	...	...
Money Orders.....	...	311,746	0.23	4.19	544,218	347,641	0.07	11.51	3.15
Outstanding money orders taken into revenue.....	543,448	311,746	0.23	4.19	544,218	347,641	0.07	11.51	3.15
Total Special Services.....	10,908	34.88	...	8,616	...	-21.01	8,645	...	0.34
Unassignable Revenue.....	6,664,988	5.02	...	6,134,860	...	22.05	8,536,996	...	4.97
TOTAL REVENUE FROM MAIL AND SPECIAL SERVICES:	6,664,988	5.02	...	6,134,860	...	22.05	8,536,996	...	4.97
Rate Package.....	6,664,988	5.02	...	6,134,860	...	22.05	8,536,996	...	4.97
Adjusted Revenue from Mail and Special Services.....	6,664,988	5.02	...	6,134,860	...	22.05	8,536,996	...	4.97

2/9/72

VOLUME OF MAIL AND SPECIAL SERVICES, AND POSTAL REVENUE
POSTAL REVENUE

U. S. Postal Service
Volume of Mail and Special Services, and Postal Revenue
for Fiscal Years 1971, 1972, and 1973

CLASSIFICATION	Actual 1971		Estimated 1972		Estimated 1973		Average Revenue Per Piece
	Pieces or transactions (thousands)	Postal revenue (thousands)	Pieces or transactions (thousands)	Postal revenue (thousands)	Pieces or transactions (thousands)	Postal revenue (thousands)	
DOMESTIC MAIL:							
First Class.....	50,035,754	\$3,506,137	51,469,179	\$4,621,479	53,008,164	\$4,776,672	\$.090112
Priority Mail (Heavy Pieces).....	196,964	302,888	205,850	344,581	215,326	380,443	1.673941
Priority Mail (Light Pieces).....	1,457,405	197,879	1,474,895	204,725	1,487,823	204,725	.145707
Airmail.....	9,603,671	1,033,309	9,735,725	1,033,309	10,020,906	1,033,309	.107007
Second Class.....	20,332,160	35,324	20,332,160	35,324	20,332,160	35,324	.001722
Controlled Circulation Publications.....	20,332,160	35,324	20,332,160	35,324	20,332,160	35,324	.001722
Third Class.....	20,332,160	844,162	20,702,605	32,172	20,702,605	32,172	.004547
Fourth Class.....	2,967,653	819,337	961,100	852,352	973,300	863,082	.886758
Penalty and Official Mail.....	2,495,607	191,442	2,561,687	235,570	2,614,068	240,398	.091963
Franked Mail.....	250,100	14,594	270,265	21,609	288,648	23,092	.080001
Free-for-the-Blind Mail.....	18,545	...	19,514	...	20,625	...	...
Total Domestic Mail and Revenue ..	86,080,271	6,065,591	88,002,095	7,473,300	89,818,001	7,853,988	.087499
INTERNATIONAL MAIL (Origination):							
Surface Mail.....	865,280	68,580	371,700	86,423	378,573	88,021	.232507
Air Mail.....	537,451	185,085	551,210	193,692	567,526	199,425	.351394
Mail Transit Revenue.....	...	23,078	...	25,188	...	26,554	...
Total International Mail & Revenue ..	902,731	276,743	922,910	305,303	946,099	314,000	.332312
TOTAL VOLUME AND REVENUE FROM MAIL	86,983,002	6,342,334	88,925,005	7,778,603	90,764,100	8,173,388	.090051
SPECIAL SERVICES:							
Mail-connected special services.....	862,297	206,506	866,808	238,743	874,716	247,454	.660377
Money orders.....	181,551	55,064	177,415	53,668	173,430	52,869	.308322
Money orders (money orders taken into revenue).....	...	953	...	1,000	...	1,000	...
Box rents.....	...	48,503	...	54,000	...	55,700	...
Total Special Services.....	543,848	311,746	544,218	347,411	548,146	356,863	.651100
Unassignable Revenue.....	...	10,908	...	8,616	...	8,645	...
TOTAL REVENUE FROM MAIL AND SPECIAL SERVICES	6,664,988	6,664,988	8,134,860	8,134,860	8,538,996	8,538,996	.651100
First-Class Package.....	...	...	...	...	450,000	450,000	...
ADJUSTED REVENUE FROM MAIL AND SPECIAL SERVICES.....	6,664,988	6,664,988	8,134,860	8,134,860	8,988,996	8,988,996	.651100

2/8/72

VOLUME OF MAIL AND SPECIAL SERVICES, AND POSTAL REVENUE
REVENUE PER PIECE

U. S. POSTAL SERVICE
 SPECIAL SERVICE TRANSACTIONS AND POSTAL REVENUE
 FOR FISCAL YEARS 1971, 1972, and 1973
 (in thousands)

Classification	Actual 1971			Estimated 1972			Estimated 1973		
	Transactions	Revenue	Percent Over	Transactions	Revenue	Percent Over	Transactions	Revenue	Percent Over
			Prior Year Units			Prior Year Units			Prior Year Units
Special Services - Mail Connected	50,422	\$ 58,550	7.90	53,512	\$ 72,138	6.13	57,790	\$ 77,985	7.99
Registry-Fees Affixed.....	13,357	...	-7.52	12,743	...	-4.60	12,082	...	-5.19
Registry-Other.....	114,062	33,771	0.29	114,427	34,100	0.32	114,770	34,435	0.30
Insurance.....	19,235	15,849	-4.18	18,681	15,430	-2.88	18,224	15,090	-2.45
Collect-On-Delivery.....	61,654	26,986	10.61	67,104	29,385	8.84	71,996	31,542	7.29
Certified.....	103,567	54,864	-5.96	100,336	70,452	-3.12	99,854	70,742	-0.48
Special Delivery.....	...	16,806	...	...	17,238	...	...	17,660	...
Stamped Envelopes.....	362,297	206,826	0.40	366,803	238,743	1.24	374,716	247,454	2.16
Total Special Services - Mail Connected.....	181,551	55,064	-0.11	177,415	53,898	-2.28	173,530	52,809	-2.19
Money Orders.....	...	953	...	...	1,000	...	...	1,000	...
Money Orders Taken into Revenue.	...	48,903	...	...	54,000	...	...	55,700	...
Box Rents.....	543,848	311,746	0.23	544,218	347,641	0.07	548,246	356,963	0.74
TOTAL ALL SPECIAL SERVICES..	543,848	311,746	0.23	544,218	347,641	0.07	548,246	356,963	0.74

2/8/72

SPECIAL SERVICE TRANSACTIONS AND POSTAL REVENUE

POSITIONS

	1971 Actual			1972 Estimate			1973 Estimate		
	Total	Full Time	Casual	Total	Full Time	Casual	Total	Full Time	Casual
National Headquarters Administration 1/...	3,974	3,775	199	4,693	4,450	243	5,097	4,854	243
Inspection Services.....	2,711	2,669	42	5,937	5,891	46	7,681	7,625	56
Research, Development, and Engineering...	534	523	11	179	169	10	199	189	10
Postal Rate Commission.....	53	48	5	98	98	...	98	98	...
Regional and Intermediate Administration 2/	2,386	2,386	...	2,101	2,101	...	2,231	2,231	...
Logistical Support Administration.....	1,700	1,700	...	1,719	1,719	...	1,719	1,719	...
Field Operations.....	712,986	553,707	140,654	705,320	599,000	18,708	691,844	601,785	16,410
TOTAL.....	724,344	564,808 3/	140,654	720,047	613,428 3/	19,007	708,869	618,501	16,719

1/ April 16, 1971, on rolls was 4,432.

2/ April 16, 1971, on rolls was 3,766.

3/ Full-time employment includes 20,000 full-time positions occupied by temporary assignments.

4/ This is the total number of Rural Carrier substitutes on rolls on June 25, 1971.

5/ This excludes 4,408 summer youth employees and 159 W. A. E. consultants.

3/17/72

POSITIONS

EMPLOYMENT SUMMARY 1971 - 1973
(Positions)

	1971 Actual	1972 Estimate	Increase or Decrease (-)	1973 Estimate	Increase or Decrease (-)
National Headquarters Administration:					
Headquarters activities	1,788	2,359	571	2,550	191
Administrative	1,556	1,585	49	1,559	- 26
Automatic Data Processing Centers and Technical Services	137	772	635	991	219
Postal Service Management Institute	162	9	9	137	128
Oklahoma Rural Training Operations	134	197	63	197	4
Postal Academy Training Institute	245	480	235	480	235
Subtotal	3,974	4,698	719	5,097	404
Inspection Services:					
Insurers	134	136	2	136	...
Scientific/technical/Clerical	1,448	1,614	166	1,614	...
Courthouse security force	119	116	- 3	116	...
Plant security force	141	378	237	466	35
Investigative	159	2,662	2,503	4,287	1,625
Subtotal	2,066	2,906	840	2,066	...
Research, Development, and Engineering	2,711	5,937	3,226	7,681	1,744
Postal Rate Commission	534	179	- 355	199	- 20
Subtotal	53	96	43	96	...
Regional and Intermediate Headquarters Administration:					
Alaska	2,246	1,300	- 946	1,400	100
District, Mexico and Central America	602	602	0	602	0
Internal Audit Administration	140	140	0	140	0
Internal	2,386	2,101	- 285	2,231	- 155
Subtotal	5,314	5,183	- 131	5,373	159
Logistical Support Administration:					
Supply Centers	282	300	18	390	...
Stamped Envelope Agency	12	12	0	12	0
Printing Units	428	428	0	428	0
Mail Boxes	243	251	8	251	8
Mailing Repair Units and Depositories	1,700	1,719	19	1,719	19
Subtotal	2,765	2,710	- 55	2,765	0
Field Operations:					
Postmasters	29,845	29,249	- 596	30,249	...
Supervisors	37,132	38,779	1,647	38,779	1,647
Clerks and Mailhandlers	347,341	336,178	- 11,163	331,334	- 4,827
Special Delivery Messengers	211,018	210,057	- 961	209,563	- 494
Rural Carriers	49,756	50,000	244	50,000	244
Maintenance Service	25,826	27,593	1,767	28,339	33
Vehicle Service	6,224	7,111	887	7,479	368
Subtotal	724,344	705,320	- 7,666	691,844	- 13,476
TOTAL	724,344	720,047	- 4,297	708,869	- 11,178

2/29/72

EMPLOYMENT SUMMARY - POSITIONS

EMPLOYMENT SUMMARY 1971 - 1973
(Man-Years)

	GFY 1971 Actual	GFY 1972 Estimate	Increase or Decrease (+)	GFY 1973 Estimate	Increase or Decrease (+)
National Headquarters Administration:					
Headquarters activities	2,218	2,015	- 203	2,245	230
Postal Data Centers	1,529	1,507	- 22	1,574	65
Postal Service	46	46	0	46	0
Postal Service and Teleconcentrator Sites	137	137	0	174	37
Postal Service Management Institute	138	166	28	174	8
Postal Service Training Operations	121	196	75	196	75
Oklahoma Postal Training Operations	9	25	16	25	16
Postal Academy Training Institute	219	244	25	244	25
Subtotal	4,350	4,350	- 25	4,861	444
Inspection Services:					
Headquarters	159	126	- 33	126	0
Inspectors	1,606	1,606	0	1,606	0
Postal Inspectors	639	718	79	916	198
Postal Inspectors (Contractual)	23	283	260	424	141
Courthouse security forces	1,455	1,455	0	3,502	2,038
Plant security forces	9	9	0	9	0
Investigative aides	1,100	1,100	0	1,100	0
Subtotal	2,480	4,346	1,916	6,782	2,432
Research, Development, and Engineering	584	169	- 415	189	20
Federal Rate Commission	20	90	70	98	8
Regional and Intermediate Headquarters Administration:					
Regional office activities	3,684	1,427	-2,417	1,896	122
Director, Agency Area, and District Offices	138	402	402	602	162
Inspector General	138	182	44	220	38
Subtotal	3,822	2,051	-1,771	2,211	160
Legislative Support Administration:					
Stamping Envelope Agency	273	276	3	276	0
Stamping Envelope Agency	11	12	1	12	1
Label Printing Units	428	428	0	428	0
Label Printing Units	11	11	0	11	0
Mall Equipment Shops	273	273	0	273	0
Mall Equipment Shops	723	716	- 7	716	0
Subtotal	1,485	1,483	- 2	1,483	0
Field Operations:					
Supervisors	36,684	36,177	- 507	36,177	0
Supervisors	43,555	43,555	0	46,078	2,523
Clerks and Mailhandlers	325,056	325,056	0	318,191	- 6,865
City Delivery Carriers	216,794	216,794	0	216,794	0
Special Delivery Carriers	37,438	37,438	0	37,438	0
Special Delivery Messengers	26,288	28,054	1,766	28,054	1,766
Maintenance Service	6,410	7,333	913	7,333	913
Vehicle Service	707,789	702,080	- 5,709	695,345	- 2,444
Subtotal	720,713	714,777	- 5,936	711,615	- 3,162
TOTAL POSTAL FISCAL YEAR	2,868	5,062	2,194	1,371	- 3,691
Conversion of Postal Fiscal Year to Government Fiscal Year	723,811	719,839	- 3,742	712,986	- 6,853
TOTAL GOVERNMENT FISCAL YEAR					

3/28/72

EMPLOYMENT SUMMARY - MAN - YEARS

ANALYSIS OF INCREASES, 1971 - 1973
(\$000)

	I	II	III	IV	V	VI	VII	VIII	IX-A	IX-B	TOTAL Postal Fiscal Year
PFY 1971 Actual.....	3,167,260	276,781	720,392	2,452,766	798,583	36,133	61,959	506,053	235,402	760,092	9,015,371
PFY 1972 Increases											
Health Benefits.....	11,900	600	2,700	9,600	300	100	...	1,100	...	800	27,100
Non-recurring bonus.	73,848	6,568	18,387	58,698	2,054	649	22	5,802	...	9,072	175,100
Within-grade salary increases.....	38,970	2,365	6,381	39,877	1,024	1,644	11	5,333	50	3,809	99,464
Pay increases.....	173,276	14,646	39,809	137,648	4,711	2,303	193	20,365	130	19,045	412,126
1970 Retro Pay.....	- 41,027	- 3,470	- 9,353	- 31,967	- 1,079	- 408	- 121	5,347	33	- 4,143	96,948
Compression.....	34,500	2,100	7,300	26,800	700	400	...	4,800	...	3,100	79,700
Total.....	291,467	22,809	65,224	240,656	7,710	4,688	105	32,053	147	31,683	696,542
Workload											
Gross workload.....	34,587	-12,487	4,520	48,909	1,210	16,712	-7,513	-48,441	...	19,789	57,286
Productivity savings.	-61,837	- 637	-15,411	- 61,061	...	...	...	...	...	...	-188,946
Extra holiday.....	8,237	789	1,429	6,901	254	32	33	14	...	899	18,588
Net workload.....	- 19,013	-12,335	- 9,462	- 5,251	1,464	16,744	-7,480	-48,427	...	20,688	- 63,072
Other											
Transportation of mail	...	...	...	...	18,326	...	...	...	...	...	18,326
Occupancy.....	...	...	...	...	...	...	...	...	1	57,819	57,820
Supplies.....	...	...	...	...	...	...	...	...	2,925	14,588	17,518
Contractual and other services.....	...	272	...	- 3,657	...	...	29,276	16,962	...	8,943	51,796
Other.....	- 2,204	...	1,976	16	...	3,257	- 513	203,826	835,847	7,343	1,049,548
Total Other.....	- 2,204	272	1,976	- 3,641	18,326	3,257	28,763	220,788	838,773	88,693	1,195,003
TOTAL INCREASE.....	270,250	10,746	57,738	231,764	27,500	24,689	21,388	204,414	838,920	141,064	1,828,473
PFY 1972 estimate.....	3,437,510	287,527	778,130	2,684,530	826,033	60,822	83,347	710,467	1,074,322	901,156	10,848,844

2/11/72

ANALYSIS OF INCREASES, 1971 - 1973
(\\$000)

	I	II	III	IV	V	VI	VII	VIII	IX-A	IX-B	TOTAL Postal Fiscal Year
PFY 1973 Increases											
Non-recurring bonus ...	-73,848	-6,568	-18,387	-58,698	-2,054	-649	-22	-5,802	...	-9,072	-175,100
Within-grades salary increases	50,274	3,278	5,858	60,815	423	4,371	11	9,365	31	5,578	140,004
1972 carryover pay	82,364	6,961	19,444	64,861	2,239	1,094	92	9,730	62	9,053	195,900
1973 new pay	130,330	11,481	37,509	117,805	4,222	522	43	11,244	112	17,501	330,769
Total	189,120	15,152	44,424	184,783	4,830	5,338	124	24,537	205	23,060	491,573
Workload											
Gross workload	30,916	1,814	7,764	41,077	1,144	24,740	278	30,465	-107	9,608	147,699
Productivity savings	-34,353	-653	-9,437	-118,377	...	...	...	...	...	...	-162,820
Net workload	-3,437	1,161	-1,673	-77,300	1,144	24,740	278	30,465	-107	9,608	-15,121
Other											
Transportation of mail	...	...	...	...	16,177	...	...	...	...	...	16,177
Occupancy .....	...	...	...	...	...	...	...	...	1	18,680	18,681
Supplies .....	...	...	...	...	...	...	...	...	625	14,766	15,391
Contractual and other services .....	...	617	...	1,561	...	...	18,386	16,451	8	5,968	42,991
Other	1,709	...	11	-10	...	...	293	-36,871	252,199	16,689	233,467
Total Other	1,709	617	11	1,551	16,177	-293	18,419	-20,420	252,833	56,103	326,707
TOTAL INCREASE	187,392	16,930	42,762	109,034	22,151	29,785	18,821	34,582	252,931	88,771	803,159
PFY 1973 estimate	3,624,902	304,457	820,892	2,798,564	848,184	90,607	102,168	745,049	1,327,253	989,927	11,647,003

2/14/72

ANALYSIS OF INCREASES 1973

PAY INCREASE SUMMARY - July 20, 1971, Agreement
(\$000)

	1973			Total
	1972 Pay Increase	1972 Carryover Pay Increase	1973 New Pay Increase	
Headquarters	1,831	870	432	1,302
Regional Headquarters:				
Eastern	406	193	73	266
Central	425	202	278	278
New York	227	108	41	149
Southern	919	436	164	600
Western	364	174	64	238
Subtotal Regional Headquarters	2,341	1,113	418	1,531
Post Office Operations:				
Postmasters	22,422	10,658	...	10,658
Supervisors	26,199	12,452	...	12,452
Clerks	187,335	89,048	...	261,082
City Carriers	122,555	58,255	172,034	172,102
Special Delivery	3,759	1,787	113,847	172,102
Rural Carriers	22,760	10,819	3,125	4,912
Maintenance	14,229	6,763	22,156	32,975
Vehicle	4,003	1,903	13,192	19,955
Subtotal Post Office Operations	403,262	191,685	3,574	5,477
Other Field Installations:				
Field Inspection	2,591	1,232	327,928	519,618
Oklahoma Postal Training Operations	68	32	456	1,688
Postal Service Management Institute	91	43	22	54
Postal Academy Training Institute	121	58	24	67
Supply Centers	160	76	89	147
Stamped Envelope Agency	9	4	131	207
Label Printing Units	243	116	207	3
Mail Bag Depositories	401	191	226	342
Postal Data Centers	769	366	375	566
ADP Centers	71	34	527	893
Mail Equipment Shops	130	62	14	46
Subtotal Other Field Installations	4,654	2,214	112	174
Postal Rate Commission	38	18	1,979	4,193
Repricing of Accrued Annual Leave	31,800	...	12	30
TOTAL, POSTAL FISCAL YEAR	443,926	195,900	23,600	23,600
Cost of additional effective days in GFY	12,474	...	354,369	550,269
Non-recurring bonus payment	175,100	...	12,331	12,331
TOTAL, GOVERNMENT FISCAL YEAR INCREASE	631,500	195,900	...	-175,100
			366,700	387,500

2/24/72

PAY INCREASE SUMMARY

Reimbursements by Department Credited and Source
 (\$000)

Department	Services Rendered	Source	1971	1972	1973
Headquarters	Operating Services				
Research	Miscellaneous reimbursement for services rendered	Other Sources	8	...	...
Chief Inspector	Provide courtroom security in Federal Buildings maintained by Postal Service	GSA	880	3,845	5,538
International Postal Affairs	Handling POW packages	Dept. of Air Force	61	70	75
Customer Development Department	Expenses incurred in connection with sale of U. S. Savings Bonds and Stamps	Treasury	19	55	60
	Expenses incurred in connection with sale of Migratory Bird Stamps	Interior	269	665	680
	Expenses incurred for processing alien registration cards	Justice	445	490	525
	Expenses incurred for processing applications for passports	State Department	46	1,100	1,500
	Miscellaneous services	Misc. Agencies	93	393	143
	Miscellaneous services	Other Sources	3	...	...
	Total Customer Development Department		875	2,703	2,908
Logistics and Engineering Dept.	Official Mail Messenger Service	Misc. Agencies	...	336	350
	Air transportation and terminal charges by foreign carriers for handling military mail by commercial carriers	Dept. of Defense	120,035	116,571	101,198
	Fines, Penalties, and refunds resulting from unsatisfactory performance of transportation contracts:				
	Water transportation	Other Sources	27	27	27
	Air transportation	Other Sources	54	54	54
	Total Logistics and Engineering Department		120,116	116,988	101,629

2/8/72

REIMBURSEMENTS BY DEPARTMENT

Reimbursements by Department Credited and Source
(\$000)

Department	Services Rendered	Source	1971	1972	1973
Headquarters - Continued Employee Relations Department	Postal Academy Program	C. S. Commission Labor Health, Education and Welfare	439 748	493 841	1,018 1,735
	Subtotal Postal Academy Program		1,757	1,978	4,079
	Public Service Career Program Testing and recruiting	C. S. Commission	2,944	3,312	6,832
	Total Employee Relations Department	C. S. Commission	...	463	500
			2,944	8,300	8,300
			2,944	12,075	15,632
Administration Department	Fines, penalties, and refunds resulting from non-performance or inadequate performance of contractors	Other Sources	3	...	...
	Miscellaneous services	Misc. Agencies	55	75	75
	Rents from other Government Agencies	Other Sources	8	20	20
	Vehicles under warranty	Misc. Agencies	232	250	250
	Sale of unserviceable motor vehicle parts, batteries, oil, etc; refunds on oil drums; and amounts collected for damages to Government owned personal property	Other Sources	307	350	350
	Sale of unserviceable material including metal and canvas cuttings. Mail bag depositories and repair units	Other Sources	27	30	30
	Total Administration Department	Other Sources	55	60	60
			687	785	785
				125,571	136,466	126,567
Total Headquarters					
Regions Sales Division	Services for Western Union	Other Sources	118	125	130
	Miscellaneous services	Misc. Agencies	45	237	275
	Total Sales Division		163	362	405

2/25/72

REIMBURSEMENTS BY DEPARTMENT

Reimbursements by Department Credited and Source
(\$'000)

Department	Services Rendered	Source	1971	1972	1973
Regions - Continued Logistics Division	Reimbursements received from contractors for service performed for them by postal personnel Fines, penalties, and refunds resulting from unsatisfactory performance of contractors Fines, penalties, and refunds resulting from unsatisfactory performance of transportation contracts: Highway transportation Contract highway post offices Railroad transportation Air transportation Miscellaneous services Total Logistics Division	Other Sources	48	50	50
		Other Sources	3	...	...
		Other Sources	4	4	4
		Other Sources	1	1	1
		Other Sources	62	62	62
		Other Sources	488	488	488
		Other Sources	1	...	...
		Other Sources	.607	605	605
		Other Sources	4	5	5
		Employee Relations Division	Miscellaneous services	Other Sources	4	5	5
Administration Division	Reimbursements received from uniform vendors Salaries of switchboard operators Sale of tabulating cards Miscellaneous services Miscellaneous services Rent from private concerns Rent from other Government agencies Sale of unserviceable motor vehicle parts, batteries, oil etc; refunds on oil drums; and amounts collected for damages to Government-owned personal property Sale of unserviceable motor vehicle parts, batteries, oil, etc; refunds on oil drums Total Administration Division	Other Sources	1,166	1,200	1,250
		Misc. Agencies	643	700	750
		Other Sources	5	7	7
		Misc. Agencies	17	25	25
		Other Sources	592	675	960
		Other Sources	252	275	290
		Misc. Agencies	115	150	150
		Other Sources	912	950	950
		Misc. Agencies	572	600	620
		Misc. Agencies	4,274	4,362	4,742
		Misc. Agencies	5,048	5,554	5,757
		Misc. Agencies	130,619	142,020	132,324
		Total Regions			
Total Operating Expenses					
	2/25/72				

REIMBURSEMENTS BY DEPARTMENT

Reimbursements by Department Credited and Source
(\$000)

Department	Services Rendered	Source	1971	1972	1973
Headquarters Logistics and Engineering Dept.	Capital Program From contractors for costs of site acquisition, architect, engineering, and other costs of site acquisition	Other Sources	5,718	20,000	20,000
Employee Relations Department	Postal Academy Program	C. S. Commission Labor Health, Education and Welfare	28 49 116 193	33 56 131 220	67 115 268 450
Administration Department	Total Employee Relations Department Sale of metal and canvas cuttings, Mail Equipment Shops Damages to personal property other than vehicles under custody of the postal service including street letter boxes Fines, penalties, and refunds resulting from non-performance or inadequate performance of contractors Miscellaneous services including Fed strip rebates Total Administration Department	Other Sources Other Sources Other Sources Misc. Agencies	23 82 42 319 466	25 90 45 350 510	25 90 45 350 510
Total Headquarters			6,377	20,730	20,960
Regions Administration Division	Damages to personal property other than vehicles including street letter boxes Sale of expendable equipment Sale of equipment - non vehicle Sale of vehicles Sale of garage equipment	Other Sources Other Sources Other Sources Other Sources Other Sources	47 55 229 2,557 4	50 60 250 1,375 5	50 60 250 1,475 5
Total Regions			2,892	1,740	1,840
Total Capital Program			9,269	22,470	22,800
Total Reimbursements PFY			139,888	164,490	155,124
Conversion to GFY			79	...	...
Total Reimbursements GFY			139,967	164,490	155,124

2/24/72

REIMBURSEMENTS BY DEPARTMENT

Reimbursement Summary
(\$000)

	1971 Actual	1972 Estimate	1973 Estimate
Total Reimbursements by Program:			
Operating Expense:			
Headquarters.....	125,571	136,466	126,567
Regions.....	5,048	5,554	5,757
Subtotal.....	130,619	142,020	132,324
Capital Program:			
Headquarters.....	6,377	20,730	20,985
Regions.....	2,892	1,740	1,865
Subtotal.....	9,269	22,470	22,800
Total Postal Fiscal Year.....	139,888	164,490	155,124
Conversion of Postal Fiscal Year to Government Fiscal Year.....	79	...	...
Total Government Fiscal Year.....	139,967	164,490	155,124
Total Reimbursements by Source:			
Federal Source:			
Headquarters.....	125,591	136,495	126,826
Regions.....	1,392	1,712	1,820
Subtotal.....	126,983	138,207	128,646
Non-Federal Source:			
Headquarters.....	6,357	20,701	20,701
Regions.....	6,548	5,582	5,777
Subtotal.....	12,905	26,283	26,478
Total Postal Fiscal Year.....	139,888	164,490	155,124
Conversion of Postal Fiscal Year to Government Fiscal Year	- 158	...	...
Federal.....	237	...	...
Non-Federal.....	79	...	...
Subtotal.....	79	...	...
Total Government Fiscal Year.....	139,967	164,490	155,124

2/24/72

REIMBURSEMENT SUMMARY

COMMENTS BY OBJECT
1971 - 1973
(Thousands of Dollars)

	(11)	(12)	(13)	(21)	(22)	(23)	(24)	(25)	(26)	(31)	(32)	(42)	(43)	Total
	Personnel Compensation	Personnel Benefits	Benefits for Former Personnel	Travel and Transportation of Persons	Transportation of Things	Comm. & Utilities	Printing and Reproduction	Other Services	Supplies and Materials	Equipment	Land and Structures	Liabilities & Indemnities	Assets and Dividends	
Fiscal Year 1971 (Actual)														
I. Services at Small Post Offices	2,848,811	230,943	9	6,569	75,194	4,851	...	877	6	...	...	...	...	3,107,650
II. Window and Collection Services	241,586	21,185	...	9,115	2,244	...	...	14,010	44	...	...	...	...	270,392
III. Delivery Services	2,646,954	62,035	...	...	...	...	...	30,814	...	...	...	...	...	2,852,766
IV. Postage and Mail	181,945	662	...	...	...	...	...	...	...	...	...	...	...	182,607
V. Law Enforcement	75,877	2,839	...	2,757	115	3	...	372	117	...	...	...	...	798,133
VI. Law Enforcement	29,856	2,839	...	...	...	...	...	...	...	...	...	...	...	30,133
VII. Research, Development and Administration	10,240	816	...	660	...	...	...	50,243	...	...	...	...	...	61,989
VIII. Administrative	3,100	52	...	1,147	...	...	...	13,141	12	...	...	...	...	506,053
XI. Logistical Postal Support	295,702	24,188	...	640	30,079	245,240	10,950	43,741	104,271	122,856	114,609	37,590	...	619,374
X. Conversion of PFT to GFT	6,780,566	583,890	30	31,907	823,407	254,094	10,953	151,738	104,271	122,856	114,609	37,590	...	9,015,371
Increase or Decrease (+)	26,888	3,033	28	31,393	-360	5,048	-436	409	-2,570	122,856	114,609	37,590	...	31,761
Decrease or Decrease (-)	6,837,409	584,823	-33	2,155	-13,333	-47,259	10,317	153,202	101,701	122,856	114,609	37,590	...	9,047,132
Percent Increase or Decrease (+)	14.0	19.8	-36.3	7.2	-1.6	22.3	-6.6	11.2	-22.1	3.3	17.7	39.9	...	12.1
Fiscal Year 1973 (Revised)														
I. Services at Small Post Offices	3,096,387	255,202	...	6,232	74,136	4,568	...	959	6	...	...	...	...	3,407,610
II. Window and Collection Services	251,283	21,962	...	...	...	...	...	14,282	...	...	...	...	...	297,527
III. Delivery Services	695,325	69,426	...	10,460	2,849	...	...	70	...	...	...	...	...	778,130
IV. Postage and Mail	2,427,777	20,748	...	678	...	...	...	27,157	...	...	...	...	...	2,684,530
V. Law Enforcement	84,525	7,746	...	783	...	...	...	...	...	...	...	...	...	85,033
VI. Law Enforcement	48,733	5,385	...	4,994	389	4	91	1,105	121	...	...	...	...	49,943
VII. Research, Development, and Administration	3,410	271	...	...	...	...	...	79,519	...	...	...	...	...	83,347
VIII. Administrative	375,250	235,271	20,775	14,547	2,115	...	...	49,718	...	...	...	...	...	1,010,467
IX. Logistical Postal Support	343,851	28,527	759	35,679	308,865	12,565	12,656	201,911	122,015	391,057	671,950	34,872	...	1,043,844
X. Conversion of PFT to GFT	7,531,731	828,073	20,209	37,869	849,454	313,437	12,656	201,911	122,015	391,057	671,950	34,872	...	8,580,114
Increase or Decrease (+)	7,422,117	6,045	20,666	849,454	313,437	3,952	12,656	201,911	122,015	391,057	671,950	34,872	...	8,580,114
Decrease or Decrease (-)	615,354	247,168	-20,151	5,969	-407	-38,959	20.3	32.7	20.0	218.3	486.3	-5.0	...	1,024,958
Percent Increase or Decrease (+)	9.0	42.1	-99.9	18.7	1.3	22.5	20.3	32.7	20.0	218.3	486.3	-5.0	...	12.1
Fiscal Year 1973 (Revised)														
I. Services at Small Post Offices	3,266,501	270,771	...	6,196	75,755	4,709	...	964	6	...	...	...	...	3,604,992
II. Window and Collection Services	256,081	23,477	...	...	...	...	...	14,899	...	...	...	...	...	300,457
III. Delivery Services	733,012	74,490	...	10,440	2,877	...	...	73	...	...	...	...	...	820,892
IV. Postage and Mail	2,546,266	213,422	...	668	...	...	...	28,718	...	...	...	...	...	2,793,564
V. Law Enforcement	89,911	3,325	...	749	...	...	...	...	...	...	...	...	...	93,236
VI. Law Enforcement	76,221	7,975	...	4,731	326	4	212	962	126	...	...	...	...	81,667
VII. Research, Development, and Administration	9,752	831	...	180	...	...	...	97,905	...	...	...	...	...	102,168
VIII. Administrative	425,644	214,862	76	13,226	7,100	...	...	51,592	136,565	631,327	685,117	24,850	...	1,045,049
IX. Logistical Postal Support	373,644	31,530	...	308	37,584	328,788	12,875	51,592	136,565	631,327	685,117	24,850	...	1,045,049
X. Conversion of PFT to GFT	7,186,073	844,860	26	36,303	867,201	333,501	13,067	240,667	137,560	631,327	685,117	24,850	...	8,179,033
Increase or Decrease (+)	2,269,525	2,439	36,303	867,201	333,501	1,146	13,067	240,667	137,560	631,327	685,117	24,850	...	3,029,280
Decrease or Decrease (-)	391,920	13,181	-20,183	17,147	-39,254	-48	48	34,922	13,181	240,667	685,117	-14,872	...	1,024,958
Percent Increase or Decrease (+)	5.3	1.6	-99.9	4.1	2.1	5.4	3.4	19.2	12.7	61.4	2.0	33.1	...	754,6.9

2/14/72

COMMENTS BY OBJECT

PERSONNEL COMPENSATION COMMITMENTS - 1971 - 1973
(\$000)

Fiscal Year 1971	Basic Salaries				Other Personnel Costs				Total	Other	Total Personnel Compensation
	Regular	Hourly	Overtime	Holiday Premium	Sunday Premium	Christmas Premium	Night Differential	Total			
I. Services at Small Post Offices	2,198,759	431,862	124,186	13,086	6,683	20	33,214	2,807,850	40,961	2,848,811	
II. Window and Collection Services	177,936	41,866	11,644	1,869	971	140	4,730	238,116	3,470	241,586	
III. Delivery Services	1,077,685	10,766	35,826	1,527	352	359	1,803	1,087,601	17,584	1,105,185	
IV. Processing of Mail	1,595,857	40,509	124,227	16,277	10,579	45	52,141	2,209,601	31,984	2,241,585	
V. Transportation	89,726	9,695	4,568	358	91	...	361	74,799	1,079	75,878	
VI. Law Enforcement	29,277	113	46	7	...	...	5	29,448	408	29,856
VII. Research, Development, and Engineering	9,943	34	141	1	...	...	...	10,119	121	10,240
VIII. Administration	333,623	32,219	15,195	1,458	1,060	152	3,157	386,864	5,290	392,154	
IX. Logistical Postal Support	249,840	21,802	10,308	1,869	1,708	229	5,670	291,526	4,176	295,702	
Total 1971 PFY	5,141,684	1,054,267	327,400	36,222	21,338	945	101,533	6,683,739	96,827	6,780,566	
X. Conversion of PFY and GFY	20,408	4,195	31,291	81	184	945	10,403	26,512	97,376	26,888	
Total 1972 GFY	607,972	1,058,462	33,581	39,367	21,493	945	101,936	6,740,204	97,203	6,837,407	
Increase or Decrease (?)	14,9	11,0	9,8	- 3,5	3,9	314,5	3,1	12,4	...	14,0	
Percent Increase or Decrease											
Fiscal Year 1972											
I. Services at Small Post Offices	2,370,430	462,229	133,280	14,027	7,144	21	35,408	3,022,539	73,848	3,096,387	
II. Window and Collection Services	182,191	42,920	12,172	1,424	1,008	146	4,900	244,715	6,568	251,283	
III. Delivery Services	517,912	116,690	37,611	2,442	269	384	1,300	676,938	18,387	695,325	
IV. Processing of Mail	1,733,626	438,654	136,433	17,555	11,380	48	56,543	2,394,239	58,698	2,452,937	
V. Transportation	65,868	10,693	5,021	393	100	...	396	82,471	2,054	84,525	
VI. Law Enforcement	47,255	127	325	112	114	...	151	48,084	649	48,733	
VII. Research, Development, and Engineering	3,359	...	29	...	...	...	...	3,388	22	3,410
VIII. Administration	313,943	33,552	15,801	1,520	1,102	226	3,304	369,448	5,802	375,250	
IX. Logistical Postal Support	286,789	25,108	11,891	2,538	1,956	262	6,545	334,809	9,072	343,881	
Total 1972 PFY	5,521,373	1,129,973	352,508	39,431	23,073	1,087	109,186	7,176,631	175,100	7,351,731	
X. Conversion of PFY and GFY	53,338	10,952	3,413	356	213	71	1,067	69,410	1,707	71,117	
Total 1972 GFY	5,574,711	1,140,925	355,921	39,787	23,286	1,158	110,253	7,246,041	176,807	7,422,848	
Increase or Decrease (?)	412,619	82,463	27,230	3,131	1,867	213	8,267	535,790	79,604	615,394	
Percent Increase or Decrease	8,0	7,8	8,3	8,5	8,7	22,5	8,1	8,0	81,9	9,0	
Fiscal Year 1973											
I. Services at Small Post Offices	2,752,477	307,930	144,670	15,204	7,738	23	38,459	3,266,501	...	3,266,501	
II. Window and Collection Services	212,237	32,496	13,190	1,549	1,095	158	5,356	286,081	...	286,081	
III. Delivery Services	606,144	81,031	40,722	2,319	291	416	2,089	733,012	...	733,012	
IV. Processing of Mail	2,011,775	304,779	144,560	18,321	11,962	49	59,460	2,551,106	...	2,551,106	
V. Transportation	77,853	5,633	5,460	428	108	...	431	89,913	...	89,913	
VI. Law Enforcement	74,560	152	590	266	283	...	370	76,221	...	76,221	
VII. Research, Development, and Engineering	3,711	...	41	...	...	...	...	3,752	...	3,752
VIII. Administration	362,566	38,507	17,795	1,235	1,060	256	3,788	425,843	...	425,843	
IX. Logistical Postal Support	319,651	28,378	13,233	2,268	2,268	29	7,273	373,644	...	373,644	
Total 1973 PFY	6,420,974	798,906	380,261	42,333	24,980	1,193	117,226	7,786,073	...	7,786,073	
X. Conversion of PFY and GFY	22,095	4,505	1,406	144	86	29	430	28,695	...	28,695	
Total 1973 GFY	6,443,069	803,411	381,667	42,477	25,066	1,222	117,656	7,814,768	...	7,814,768	
Increase or Decrease (?)	868,358	-337,514	25,746	2,890	1,780	64	7,403	588,727	-176,807	391,920	
Percent Increase or Decrease	15,6	-29,6	7,3	7,3	7,6	5,5	6,7	7,9	...	5,3	

3/17/72

PERSONNEL COMPENSATION COMMITMENTS

PERSONNEL BENEFITS COMMITMENTS, 1971 - 1973
(thousands of dollars)

	Health Insurance	Retirement Contribution	Group Life Insurance	Social Security Taxes	Uniform Allowances	Employee Awards	Relocation Expense	Territorial Living Comp.	Admin. of Fund	Accrued Leave	Transition Costs	Benefits of Personnel	Total Personal Benefits
FISCAL YEAR 1971 (actual)													
I. Services at Small Post Offices	90,800	166,775	11,856	14,011	7,068	619	19	...	...	...	...	9	290,852
II. Window and Collection Services	2,887	14,785	900	1,595	1,926	...	...	...	...	...	...	...	1,015
III. Delivery Services	10,095	40,390	6,656	8,653	8,051	...	...	...	...	...	...	...	52,183
IV. Processing of Mail	26,884	186,120	9,154	5,851	4,196	...	...	...	...	...	...	...	181,905
V. Transportation	1,383	2,005	314	92	888	18	...	...	...	...	...	...	7,239
VI. Law Enforcement	1,285	2,005	314	92	888	...	...	...	...	...	...	...	2,880
VII. Research, Dev. and Engineering	96	645	49	26	...	...	...	...	...	...	...	...	2,880
VIII. Administration	3,854	24,045	1,515	646	...	2,937	19,224	515	13	...	...	21	52,770
IX. Logistical Postal Support	3,792	18,398	1,270	225	377	...	...	...	...	...	...	...	26,188
X. ...	110	676	116	115	25	87	200	151	...	...	...	...	583,920
Total 1971 GFY	79,327	410,068	27,505	22,432	25,370	3,594	19,324	903	...	...	...	...	1,511,111
Increase or Decrease (°)	26,889	62,684	1,871	8,829	-4,611	54	5,247	-4,404	...	...	...	...	84,719
Percent Increase or Decrease (°)	46.9	15.0	7.3	64.9	-16.5	1.5	37.3	-32.5	...	...	...	-8.3	5.6
FISCAL YEAR 1972 (estimate)													
I. Services at Small Post Offices	42,004	179,482	12,221	13,909	8,368	...	18	...	...	...	...	...	255,202
II. Window and Collection Services	13,667	48,540	2,662	3,642	1,869	...	...	...	...	...	...	...	69,588
III. Delivery Services	36,135	147,122	9,926	6,308	4,267	...	...	...	...	...	...	...	208,288
IV. Processing of Mail	1,498	4,943	314	95	916	...	...	...	...	...	...	...	7,766
V. Transportation	678	3,247	196	7	378	...	...	...	...	...	...	...	5,885
VI. Law Enforcement	32	314	...	...	...	...	...	...	...	...	...	...	1,111
VII. Research, Dev. and Engineering	4,447	23,977	1,521	659	...	2,989	142,622	456	15	14,500	3,000	20,209	255,565
VIII. Administration	4,815	21,422	1,455	357	400	2	...	172	1,800	39,800	...	...	28,527
IX. Logistical Postal Support	106,329	438,809	28,530	22,804	24,190	2,991	147,622	1,211	223	14,500	3,000	20,209	848,282
X. ...	107,556	442,011	29,747	22,973	24,965	3,014	143,662	1,217	223	14,500	3,000	20,209	850,595
Total 1972 GFY	27,839	81,943	2,242	2,4	995	-880	134,338	314	23	34,608	1,412	40,090	267,348
Increase or Decrease (°)	35.0	7.8	8.2	2.4	4.3	-16.1	645.4	34.8	11.5	...	...	...	46.5
FISCAL YEAR 1973 (estimate)													
I. Services at Small Post Offices	41,940	182,782	13,170	13,838	9,038	...	18	...	...	...	...	...	270,771
II. Window and Collection Services	3,584	16,476	1,100	1,666	1,901	...	...	...	...	...	...	...	90,777
III. Delivery Services	14,819	47,995	3,106	1,020	7,950	...	...	...	...	...	...	...	74,469
IV. Processing of Mail	34,838	156,690	10,569	6,699	4,276	...	...	...	...	...	...	...	213,072
V. Transportation	1,178	5,201	305	8	592	...	...	...	...	...	...	...	8,532
VI. Law Enforcement	39	261	20	11	...	...	...	...	...	...	...	...	7,813
VII. Research, Dev. and Engineering	5,055	26,967	1,711	805	...	3,439	466	16	14,500	1,800	...	26	214,888
VIII. Administration	108,040	478,128	31,929	23,243	26,113	2	97,549	1,166	1,166	62,554	...	...	311,530
IX. Logistical Postal Support	106,332	476,508	32,000	23,491	25,387	10	97,280	1,141	1,805	62,745	...	...	844,489
X. ...	34,714	2,776	3.8	3.8	3.4	487	-76	21	-7	22,655	-3,000	-20,183	817,315
Total 1973 GFY	0.9	34,714	7.6	2.3	3.4	14.9	-312.9	6.2	9.4	0.5	...	...	-7,022
Increase or Decrease (°) .....	...	...	...	...	...	...	...	...	...	...	...	...	-98.9
Percent Increase or Decrease (°) .....	...	...	...	...	...	...	...	...	...	...	...	...	0.8

2/14/72

PERSONNEL BENEFITS COMMITMENTS

U. S. POSTAL SERVICE
 SELECTED WORKING CAPITAL
 June 30, 1970, 1971, 1972 and 1973
 (thousands of dollars)
 1970 - 1973

Item	Actual 1970	Actual 1971	Estimate 1972	Estimate 1973
Assets				
Accounts receivable				
U. S. Government agencies	94,347	101,707	102,500	104,500
Interest	25,423	24,488	25,000	25,500
Prepaid permits	...	...	64,000	15,000
Other	9,542	5,222	7,000	7,100
Total	129,312	131,357	198,500	152,100
Less allowances for doubtful accounts	...	6,851	7,000	7,000
Accounts receivable, net	129,312	124,506	191,500	145,100
Supplies, advances and prepayments	52,283	51,286	53,511	54,511
Adjustments for regroupings and reclassifications	-18,710	5,165	248,447	3,456
Advances and accounts receivable	168,185	180,967	248,447	203,047
Due to other agencies	...	...	...	...
Prepaid permit mail	-56,875	-63,420	-64,800	-66,900
Box rentals	-19,583	-26,998	-26,500	-26,800
Prepaid permits and box rentals	-76,828	-89,818	-91,300	-93,700
Working capital applicable to receipts	91,357	91,149	157,147	109,347
Liabilities:				
Current liabilities:				
Outstanding postal money orders	234,364	279,699	280,000	284,000
Accrued payroll:				
Payroll payables	222,972	263,815	138,898	170,830
Retirement payables	...	20,187	...	...
Total accrued payroll	222,972	284,002	138,898	170,830
Payroll taxes and civil service retirement, including amounts withheld:				
Retirement funds	32,165	36,607	38,600	40,800
Federal payroll taxes	65,278	63,901	67,500	71,300
Social security funds	2,309	2,523	2,700	2,900
Life insurance funds	3,619	3,885	3,900	4,000
Health insurance funds	8,671	11,068	12,200	12,400
State payroll taxes	8,413	10,261	10,300	10,500
Total payroll taxes, etc.	120,455	128,245	138,898	141,900

2/14/73

U. S. POSTAL SERVICE
 SELECTED WORKING CAPITAL (Continued)
 June 30, 1970, 1971, 1972 and 1973
 (thousands of dollars)
 1970 - 1973

Item	Actual		Estimate	
	1970	1971	1972	1973
Workmen's compensation	43,840	57,790	55,073	52,575
Accounts payable to other U. S. Government agencies	10,684	13,852	14,000	14,500
Trust funds	9,371	9,760	9,800	9,900
Savings bond deductions	16,339	25,713	30,525	33,425
Procurement and miscellaneous accruals	86,394	49,325	54,325	57,825
Total payables to U. S. Government agencies	50,468	57,918	58,000	59,000
Other accounts payable and accrued expenses:	9,118	3,130	3,200	3,300
Carriers of mail	9,575	12,941	12,841	12,841
Foreign countries	3,988	6,118	6,200	6,200
Post office mail routes	11,525	8,093	9,000	10,000
Union dues, receivable and financial withholdings	49,551	49,673	49,800	50,000
Miscellaneous undistributed collections .....	...	...	5,800	11,600
Miscellaneous accruals and approved invoices	26,116	19,513	27,654	30,139
Interest payable	154,801	157,286	172,495	183,080
Procurement payables and credit card purchases	813,486	956,347	835,991	890,210
Postal contract obligations payable, etc.	- 43,840	- 57,790	...	...
Total current liabilities including prepaid permit mail, box rents and postage in hands of the public	- 245,548	- 293,551	- 294,000	- 298,500
Less unfunded items: Workmen's compensation	10,799	12,272	9,280	11,095
Retirement bonus	584,897	597,091	551,271	602,805
Less Money orders and trust funds .....	...	...	...	...
Adjustments for regroupings and reclassifications .....	...	...	...	...
Current liabilities, working capital .....	...	...	...	...
Reserves:	...	...	...	...
Workmen's compensation .....	...	...	64,400	129,725
Catastrophe insurance	333,368	372,796	2,500	5,000
Employees accumulated annual leave	333,368	372,796	412,783	444,347
Total reserves	333,368	372,796	479,683	579,072
Less unfunded leave	- 333,368	- 372,796	- 341,796	- 341,796
Reserves, working capital .....	...	...	106,887	237,276

2/11/72

SELECTED WORKING CAPITAL

U. S. POSTAL SERVICE
 SELECTED WORKING CAPITAL (Continued)
 June 30, 1970, 1971, 1972 and 1973
 (thousands of dollars)
 1970 - 1973

Item	Actual 1970	Actual 1971	Estimate 1972	Estimate 1973
Unpaid, undelivered orders:				
Fixed assets	299,145	339,484	943,671	1,778,983
Postal public buildings	63,957			
Inventories	27,208	40,132	40,132	40,132
Research and development	23,824	26,591	34,240	45,000
Total unpaid, undelivered orders ..	414,134	406,207	1,018,043	1,864,115
Recapitulation of working capital amounts:				
Current liabilities	534,897	597,091	551,271	602,805
Reserves .....	...	...	106,887	237,276
Unpaid undelivered orders	414,134	406,207	1,018,043	1,864,115
Working capital related to commitments	949,031	1,003,298	1,676,201	2,704,196
Working capital related to receipts	-91,357	-91,149	-157,147	-109,347
Net selected working capital	857,674	912,149	1,519,054	2,594,849
Net changes in selected working capital	- 59,294	- 54,475	- 606,905	-1,075,795
Prior year adjustment, net	2,255	- 3,305	...	...
Net changes in selected working capital and prior year adjustment, net	- 57,039	- 57,780	- 606,905	-1,075,795
Commitments incurred, net	1,567,062	2,242,178	1,131,786	1,061,124
Outlays	1,510,023	2,184,398	524,881	- 14,671

SELECTED WORKING CAPITAL - CONT'D

2/14/72

COMPUTATION OF NET EXPENDITURES

Detail of Gross Expenditures, Applicable Receipts, and Net Expenditures
(thousands of dollars)

1970 - 1973

Item	Actual 1970	Actual 1971	Estimate 1972	Estimate 1973
Detail of gross expenditures:				
Current liabilities, funded	534,897	597,091	551,271	602,805
Reserves, funded	•••	•••	106,887	237,276
Unpaid undelivered orders:				
Operating	51,032	66,723	74,372	85,132
Capital investment	363,102	339,484	943,671	1,778,983
Total at end of year	949,031	1,003,298	1,676,201	2,704,196
Total at start of year	855,023	949,031	1,003,298	1,676,201
Increase (-) or decrease in unpaid commitments	- 94,008	- 54,267	- 672,903	-1,027,995
Offset of receivables and payables	109,860	105,285	•••	•••
Commitments (from program and financing):				
Operating	7,815,967	8,803,577	9,774,127	10,319,491
Capital investment	248,332	235,402	1,074,322	1,327,253
Other funding requirements	•••	•••	76,509	32,539
Total commitments	(8,064,299)	(9,038,979)	(10,924,958)	(11,679,283)
Gross expenditures	8,080,151	9,089,997	10,252,055	10,651,288
Detail of applicable receipts:				
Accounts receivable at end of year, net	91,357	91,149	157,147	109,347
Accounts receivable at start of year	56,643	91,357	91,149	157,147
Increase (-) or decrease in accounts receivable	- 34,714	+ 208	- 65,998	+47,800
Offset of receivables and payables	109,860	105,285	•••	•••
Receipts (from program and financing)	6,494,982	6,800,106	9,793,172	10,618,159
Applicable receipts	6,570,128	6,905,599	9,727,174	10,665,959
Outlays	1,510,023	2,184,398	524,881	- 14,671

2/10/72

COMPUTATION OF NET EXPENDITURES

Bridge From Commitments Incurred to Accrued Expenses
(thousands of dollars)

	Actual 1971	Estimate 1972	Estimate 1973
Total Commitments, current year	9,047,132	10,848,449	11,646,744
Less: Capital program	-235,402	-1,074,322	-1,327,253
Changes in Selected Resources			
Leasehold payments charged to unfunded liability	-276	-276	-276
Research on order	-2,767	-7,649	-10,760
Inventories on order	876	...	...
Inventories on hand	-1,419	...	...
Retirement bonus	20,187	...	...
Cost of Workmen's Compensation in excess of commitments	13,951	...	...
Accrued leave earned in excess of commitments	39,428	...	...
	69,980	-7,925	-11,036
Add: Non Fund Costs			
Depreciation	97,276	111,918	130,000
GSA maintenance	25,644	...	...
Unemployment compensation	13,410	...	...
Discount on equipment & supplies	-354	-400	-400
Expendable equipment	23,768	24,600	29,600
Mail Equipment Shop items expensed	823	800	800
Amortization of debt service .....	...	30	95
	160,567	136,948	160,095
Net Adjustment Commitments to Accrued Expenses	-4,855	-945,299	-1,178,194
Accrued Expenses	9,042,277	9,903,150	10,468,550

2/11/72

BRIDGE FROM COMMITMENTS INCURRED TO ACCRUED EXPENSES

Financing of Commitments Incurred
(\$'000)

Item	1972			1973		
	Total	Operating	Capital Other	Total	Operating	Capital Other
Commitments Incurred	10,924,958	9,774,127	1,074,322 76,509	11,679,283	10,319,491	1,327,253 32,539
Source of Financing:						
1. Carryover:						
a. Operating	73,720	73,720	...	...	...	...
b. Capital	477,668	...	477,668	...	...	...
2. Revenues and Reimbursements	8,375,650	8,389,207	16,256	9,194,120	8,927,991	266,129
3. Appropriation.....	1,417,522	1,361,200	...	1,424,039	1,391,500	32,539
4. Sale of Bonds	250,000	...	250,000	250,000	...	250,000
5. Borrowing Authority Committed: 1/						
a. Operating	330,398	...	...	811,124	...	...
b. Capital .....	...	...	330,398	...	...	811,124
Total	10,924,958	9,774,127	1,074,322 76,509	11,679,283	10,319,491	1,327,253 32,539

1/ Borrowing authority as of June 30.

	Uncommitted Borrowing Authority	Bonds Sold	Committed Borrowing Authority
Total borrowing authority	10,000,000,000	...	...
Borrowing authority committed 1972 and 1973	1,641,522,000	500,000,000	1,141,522,000
Status at June 30, 1973	8,358,478,000	500,000,000	1,141,522,000

1/20/72

Detail of Source and Application Funds (\$'000)

	1972 Fiscal Year			1973 Fiscal Year		
	Total	Operating	Capital	Total	Operating	Capital
Application of Funds						
Commitments brought forward.....	1,003,298	650,973	352,325	1,676,201	688,055	956,512
Commitments incurred.....	10,924,958	9,774,327	1,074,322	11,679,283	10,319,491	1,327,253
Total commitments subject to payment.....	11,928,256	10,425,100	1,426,647	13,355,484	11,007,546	2,283,765
Less commitments carried forward.....	1,676,201	688,055	956,512	31,634	881,372	1,791,824
Payments.....	10,252,055	9,737,045	470,135	10,651,288	10,126,174	491,941
Source of Funds						
Beginning of year:						
Current liabilities and reserves.....	1,418,961	955,347	12,841	1,706,974	988,164	12,841
Unfinanced current liabilities and reserves.....	- 455,940	- 5,167	..	- 379,226	- 4,891	..
Equity adjustment for prepaid postage in hands of public.....	..	..	..	..	..	..
Unpaid, undelivered orders.....	406,207	66,723	339,484	300,000	..	..
Commitments not fully funded.....	..	..	..	1,018,043	74,372	943,671
Accounts receivable, net.....	- 124,516	..	..	- 330,398	..	- 330,398
Advances.....	- 39,012	- 39,012	..	- 191,500	..	..
Uncommitted cash.....	551,388	75,720	477,668	..	..	..
Opening cash per balance sheet.....	1,757,088	927,095	829,993	1,482,656	824,908	626,114
Less money orders and trust funds.....	- 293,551	- 293,551	..	- 294,000	- 294,000	..
Operating cash.....	1,463,537	633,544	829,993	1,188,656	530,908	626,114
Cash receipts during year.....	9,727,174	9,634,409	16,256	10,665,959	10,367,291	266,129
Borrowings during year.....	250,000	..	250,000	250,000	..	250,000
Total funds available for operations.....	11,440,711	10,267,953	1,096,249	12,104,615	10,898,199	1,142,243
Less payments (listed above).....	10,252,055	9,737,045	470,135	10,651,288	10,126,174	491,941
Ending cash available for operations.....	1,188,656	530,908	626,114	1,453,327	772,025	650,302
Money orders and trust funds.....	294,000	294,000	..	298,500	298,500	..
Ending cash per balance sheet.....	1,482,656	824,908	626,114	1,751,827	1,070,525	650,302
Composition of Ending Cash						
Current liabilities and reserves.....	1,706,974	988,164	12,841	1,862,982	1,177,345	12,841
Unfinanced current liabilities and reserves.....	- 379,226	- 4,891	..	- 346,411	- 4,615	..
Equity adjustment for prepaid postage in hands of public.....	..	..	..	..	..	..
Unpaid, undelivered orders.....	300,000	..	..	300,000	..	..
Commitments not fully funded.....	1,018,043	74,372	943,671	1,864,115	85,132	1,778,983
Accounts receivable, net.....	- 330,398	..	- 330,398	- 1,141,522	..	- 1,141,522
Advances.....	- 191,500	..	..	- 145,100	..	..
Uncommitted cash.....	41,237	..	..	..	..	..
Ending cash per balance sheet.....	1,482,656	824,908	626,114	1,751,827	1,070,525	650,302

1/20/72

DETAIL OF SOURCE AND APPLICATION FUNDS

TRANSPORTATION
(\$000)

	FY 1971 Actual	FY 1972 Estimate	FY 1973 Estimate	Increases Over 1972	Percent Increase
Contract Mail Messenger	16,943	16,275	16,426	151	0.9
Intercity Transportation:					
Air	171,787	184,230	192,813	8,583	4.7
Rail	151,221	145,351	149,285	3,934	2.7
Highway	198,440	211,310	225,749	14,439	6.8
Water	5,197	5,277	5,535	258	4.9
Subtotal	526,645	546,168	573,382	27,214	5.0
International Transportation	171,828	171,299	160,111	-11,188	-6.5
Total	715,416	733,742	749,919	16,177	2.2

2/7/72

TRANSPORTATION

PRODUCTIVITY
CLERKS AND MAIL HANDLERS

Fiscal Year	Man-Years	Mail Volume (millions)	Average Pieces Per Man-Year	Percent Increase or Decrease (-)
1969	337,437	82,005	243,023	1.2
1970	342,422	84,887	247,887	2.0
1971	336,630	86,983	258,393	4.2
1972 (estimate)	327,794	88,925	271,283	5.0
1973 (estimate)	318,725	90,764	284,772	5.0

CITY DELIVERY CARRIERS

Possible Deliveries

Fiscal Year	Man-Years	Possible Deliveries (000)	Possible Deliveries Per Man-Year	Percent Increase or Decrease (-)
1969	214,148	54,935	256.5	-0.9
1970	217,475	55,857	256.8	0.1
1971	217,669	56,985	261.8	1.9
1972 (estimate)	217,086	57,599	265.3	1.3
1973 (estimate)	215,647	58,117	269.5	1.6

Pieces Delivered

Fiscal Year	City Deliveries Carrier Man-Years	Mail Volume (millions)	Pieces Delivered Per Man-Year	Percent Increase or Decrease (-)
1969	214,148	82,005	382,936	0.6
1970	217,475	84,882	390,307	1.9
1971	217,669	86,983	399,611	2.4
1972 (estimate)	217,086	88,925	409,630	2.5
1973 (estimate)	215,647	90,764	420,892	2.7

WEDNESDAY, MAY 24, 1972.

U.S. POSTAL SERVICE—CONTINUED

WITNESSES

BENJAMIN F. BAILAR, SENIOR ASSISTANT POSTMASTER GENERAL
FOR SUPPORT

MELVIN C. BAKER, SENIOR ASSISTANT POSTMASTER GENERAL FOR
CUSTOMER SERVICES

HAROLD F. FAUGHT, SENIOR ASSISTANT POSTMASTER GENERAL
FOR MAIL PROCESSING

HENRY R. ALBERT, EXECUTIVE ASSISTANT FOR GOVERNMENT
RELATIONS

JAMES W. HARGROVE, CONSULTANT

RICHARD F. GOULD, ASSISTANT POSTMASTER GENERAL, FINANCE
DEPARTMENT

ROGER P. CRAIG, DEPUTY GENERAL COUNSEL, LAW DEPARTMENT

ARTHUR EDEN, DIRECTOR, OFFICE OF RATES AND CLASSIFICA-
TION, FINANCE DEPARTMENT

WOODROW G. DOAK, MANAGER, BUDGET DIVISION, FINANCE
DEPARTMENT

EUGENE R. FEAGAN, MANAGER, BUDGET ESTIMATES AND CON-
TROL BRANCH, FINANCE DEPARTMENT

TOM ELLINGTON, ASSISTANT POSTMASTER GENERAL, PLANNING
DEPARTMENT

WILLIAM DUNLAP, ASSISTANT POSTMASTER GENERAL, PRODUCT
MANAGEMENT

RICHARD SEAGRAVE-DALY, MANAGER, DELIVERY PROGRAMS
DIVISION

Mr. STEED. The committee will be in order.

The committee is in session today for further consideration of the budget request for the United States Postal Service. Today we are pleased to have Mr. Benjamin F. Bailar, Senior Assistant Postmaster General and his associates.

Mr. Bailar, you may proceed with your presentation.

GENERAL STATEMENT

Mr. BAILAR. Mr. Chairman and members of the committee: I am pleased to have the opportunity to appear before this committee today. Our purpose is to explain the estimate of funds needed in fiscal 1973 under payments to the postal service fund and to provide further financial understanding on the policies and programs outlined by Postmaster General Klassen yesterday. Through my statement, although it is rather brief, together with our responses to questions posed by the committee, I hope that we will be able to furnish a complete picture of our appropriation needs.

With your kind indulgence, Mr. Chairman, I would like to introduce to the committee the members of my staff and other Postal officials who are with us today.

APPROPRIATION REQUEST

We are asking that \$1,640,439,000 be appropriated to the Postal Service for fiscal year 1973. This amount exceeds the request for appropriations transmitted by the President in the amount of \$216,400,000. Our total requested appropriation is comprised of three major items: public service costs, revenue forgone on free and reduced rate mail, and the expense of funding liabilities inherited by the Postal Service from the former Post Office Department.

PUBLIC SERVICE COSTS

By the terms of section 2401(b) of title 39, United States Code, as enacted by the Postal Reorganization Act, the Congress is authorized to appropriate amounts to reimburse the Postal Service for certain public service costs incurred by it. The amount requested for this purpose in fiscal year 1973 is \$920,000,000 which is equal to 10 percent of the sum appropriated to the former Post Office Department in fiscal year 1971.

REVENUE FORGONE

I would like to outline in detail the components of our request for appropriations pursuant to section 2401(c) of title 39 to compensate for revenue forgone on free and reduced rate mail. The amount we are requesting for this purpose, \$687,900,000, represents revenue which the Postal Service would have collected from certain mailers but for the provisions of sections 3217, 3403-3405, and 3626 of the Postal Reorganization Act and the Federal Voting Assistance Act of 1955. The \$687,900,000 amount is the sum of (1) \$161,000,000 to cover what is considered as "continuing" revenue forgone (free for the blind, non-profit mailers, et cetera) and (2) \$526,900,000 to compensate for revenue forgone by reason of the phasing of those postal rates (second-class, regular-rate third-class, and special rate fourth-class) enumerated in section 3626.

The Postal Service submitted to the Office of Management and Budget, pursuant to section 2009 of title 39, an appropriation request for the full amount of revenue that would be foregone by carrying mail at free and reduced rates. As you are probably aware, the President has declined to recommend to Congress in the budget of the U.S. Government that \$216,400,000 necessary to compensate for the revenue forgone due to the phasing of regular-rate third-class and controlled circulation mail be appropriated. It is the belief of the President that the failure to appropriate the \$216,400,000 "will result in these classes of mail bearing the full cost of services provided without subsidy," as indicated by Mr. Weinberger's letter to the Postmaster General of February 7, 1972.

The Congress failed, however, to enact appropriations in an amount corresponding to that requested for revenue foregone for the two subclasses of mail, regular-rate third-class and controlled circulation, for fiscal year 1972. Wishing to avoid any possible influence on the rate proceedings then in progress before the Postal Rate Commission, the Congress upon recommendation from the committee did not expressly state that the appropriations had been denied. In the event the Con-

gress determines that revenue foregone appropriations for regular-rate third-class and controlled circulation mail should not be enacted for fiscal year 1973, it is our hope that the Congress will explicitly state that the appropriations have been denied, to prevent any unfounded contention that congressional silence—as certain mailers have argued in unsuccessful legal actions regarding last year's appropriations acts—somehow indicates that the relevant appropriations have been enacted.

In the event that Congress once again fails to appropriate the amount necessary to accomplish the phasing of regular-rate third-class and controlled circulation mail, adjustments in rates for these classes of mail will be made in accordance with the mandate of section 3621 of the act.

TRANSITIONAL COSTS

The third item for which we are making an appropriation request, totaling \$32,539,000, is submitted under section 2004 of the Postal Reorganization Act which authorizes appropriations "to insure a sound financial transition for the Postal Service * * *." This request for \$32.5 million covers two items previously unfunded by the Post Office Department. The U.S. Postal Service inherited from the former Post Office Department an unfunded liability of \$372,796,000 for accumulated unused annual leave. We are proposing that this liability be funded over a 12-year period through the appropriation process. The 1973 appropriation request for this item amounts to \$31 million. The remaining \$1,539,000 for transitional expenses in the requested appropriation is to provide funds to cover an unfunded liability for the amount due the Workmen's Compensation Fund. The latter item is the balance of the 1970 and 1971 reimbursement to the Workmen's Compensation Fund. The 1972 appropriation of \$56,322,000 was deficient by \$1,539,000.

EARLY ENACTMENT OF APPROPRIATIONS

Mr. Chairman, I would like to stress that the Postal Service and its customers urgently require that these appropriations be enacted by July 1, 1972. One reason for early appropriations is to permit postal planning to proceed promptly with complete knowledge of the financial resources that will be at its disposal during the fiscal year.

Postal Service customers also have a compelling need for early decision on appropriations so that the level of postage rates can be firmly established at the earliest possible moment. A vast number of business firms and institutions have lived under a large cloud of uncertainty, not knowing whether rates must suddenly leap upward because phasing appropriations were denied. This subcommittee is all too familiar with the abrupt increase in third-class rates from 4.2 cents to 5 cents, with just 2 weeks' advance notice, although our intentions were well known for many months. While that increase did not affect nonprofit organizations, they too shared the uncertainty of business mailers because, while awaiting appropriations by the Congress, they faced a possibility, technically, that rates scheduled to be increased over 10 years would be increased in one step. That concern was expressed by at least one prominent nonprofit organization in proceedings before the Postal Rate Commission.

OPERATIONS OF THE POSTAL SERVICE

Moving from our request for appropriations, I would like to make a few comments about the operations of the Postal Service and how they are reflected in the budget submission to this committee and our Senate Appropriations Subcommittee.

The Postal Service, as you are aware, has made a substantial change in its headquarters and regional organizations. This change stresses decentralization—of getting decisions closer to the action, but still operating within a framework of national controls. We now have five regional areas instead of 15. Eighty-six district, metro area, and metro center offices have been established. The manager of each of these offices has a complement of only seven employees and reports directly to his respective regional postmaster general. The regional postmaster general reports directly to the deputy postmaster general. Line management extends from the district, metro area, or metro center to the sectional center manager and to the postmasters. By such line organization arrangement, the Service can be more responsive to operating needs and decisions. In addition to making the management system of the Postal Service more responsive, we have saved the mail users \$80 million a year in comparing the results of the change with the 1972 budget submitted to you last year concerning regional and headquarters activities. Naturally the real payoff for streamlining operating management will come downstream.

Our total employment goal at the end of fiscal year 1973 is 708,869. This is 15,475 below the June 30, 1971, employment level. There will be some change in mix between permanent and temporary employment which reflects to a large extent our desire and agreement to provide permanent employment to the degree applicable to postal employees.

We have projected a mail volume of 90.8 billion pieces for 1973 which reflects a growth rate of 2.1 percent in comparison to our budget estimate of 2.2 percent for the current fiscal year, which, incidentally, we will not meet. Our average growth rate for the past 5 years has been 2.8 percent.

Clerk/mail handler productivity has been projected at a 5-percent increase which will continue our current experience and trend. Should this hold, and we believe it will, then we will have 3 consecutive years with mail processing productivity being within the range of 5 percent over the previous year. City carrier productivity has been projected to increase by 2.7 percent in 1973 in terms of total mail delivered.

In fiscal 1973, we plan to incur commitments approximating \$1.3 billion in capital investment programs. Major areas of capital investment will be directed toward the ultimate completion of the bulk mail and preferential mail systems. Bulk mail systems commitments will total about \$262 million and preferential mail about \$340 million. Mechanization and improvement of existing facilities, including environmental control projects, will add another \$400 million to the overall program.

We have made substantial progress in the utilization of modern cash management methods. We are taking every step possible to reduce operating cash balances. Investment income from the funds is providing us with a new source of earnings that helps us reduce or avoid the

new rates that must come from mail users. Our estimates for 1972 indicated that investment income would approximate \$76 million which we will exceed. For fiscal 1973, we projected investment income of about \$50 million.

Permanent rates have not been made effective as of this date. We are hopeful that the Postal Rate Commission recommendations will be forthcoming in the not too distant future.

Our 1973 budget does project an additional rate increase to become effective January 1, 1973. We will be examining very closely over the next few weeks our projected operating and financial condition so that we can determine what our final course of action should be, though it should be clear to everyone that we would like to avoid or minimize the scheduled rate increase.

The fiscal year 1973 budget plan shows an increase of \$565.4 million in operating expenses of which \$491.6 million is for pay and within-grade salary increases emanating from the management/labor agreement for bargaining-unit employees and from management actions for non-bargaining-unit employees; transportation of mail, \$16.2 million; occupancy expenses, \$18.7 million; supplies, \$15.4 million; and others, \$23.5 million.

APPROPRIATION REQUEST

To summarize, Mr. Chairman, we are asking \$1,640,439,000 be appropriated to the Postal Service for fiscal year 1973. This amount exceeds the request for appropriations transmitted by the President in the amount of \$216,400,000. Our total requested appropriation is comprised of three major items. Public service costs, \$920 million, revenue forgone on free and reduced mail, \$687.9 million, and the expense of funding liabilities inherited by the Postal Service from the former Post Office Department, \$32.5 million.

POSTAL SERVICE COMPLIANCE STATEMENT

At this point, Mr. Chairman, in compliance with section 2401(b) (3), title 39, I offer for insertion in the record exhibit A, a statement which describes the nature of postal services provided to residents of both rural and urban communities. This statement details the Postal Service's compliance with the policy set forth in section 101(b) of the act.

Mr. STEED. Without objection, it will appear in the record at this point.

(The document follows.)

UNITED STATES POSTAL SERVICE
COMPLIANCE STATEMENT

We are requesting \$920 million for public service costs.

Section 101 (b) of new Title 39 provides that:

"The Postal Service shall provide a maximum degree of effective and regular postal service to rural areas, communities, and small towns where post offices are not self sustaining. No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities."

The following statistics on numbers of post offices and rural delivery service indicate our plans for providing postal services to residents of both urban and rural communities:

Number of Post Offices by Class -- As of June 30

	1971	1972	1973
	<u>Actual</u>	<u>Estimate</u>	<u>Estimate</u>
First Class	5,162	5,170	5,180
Second Class ...	7,396	7,400	7,410
Third Class	12,551	12,535	12,489
Fourth Class ...	<u>6,838</u>	<u>6,830</u>	<u>6,820</u>
Total	31,947	31,935	31,899
Classified Stations and Branches ..	3,906	3,929	3,982
Rural Families Served	11,449,000	11,501,000	11,583,000
Rural Routes as of June 30	31,517	32,595	33,120

The following actions have been taken or are planned, to insure that all residents receive effective postal service:

Closing and Conversion of Post Offices

On March 5, 1971, we issued criteria for the discontinuance or conversion of post offices. The discontinuance of a post office will be considered when there is a vacancy in the postmaster position and when one or more of the following conditions exists:

- No suitable person can be found in the community to permanently take charge of the post office.
- No suitable quarters can be found in the community for housing the post office.
- Fewer than 25 families are being served by the post office.

- The community has been abandoned. (The requirement that there be a vacancy in the position of postmaster does not apply in these cases.)
- Another post office or a classified station or branch is located within a reasonable distance of the post office to be discontinued (normally, three to five miles except in sparsely settled areas such as Alaska, etc.) which is easily accessible to the customers affected, and will provide service equal to, or better than, the services presently being received.

The conversion of a post office to a station or branch of another post office will be considered when a vacancy exists in the postmaster position or when the postmaster is eligible for an immediate retirement annuity or is eligible for reassignment to another postal service position for which he is qualified, and when one or more of the following conditions exists:

- Two or more independent post offices are located within the corporate limits of an incorporated city or town.
- The communities served by two or more independent post offices are being merged in order to become an incorporated city or town.
- A majority of the customers have requested a change in the status of the post office, either to obtain a change in mailing address or to obtain rural or city delivery service.
- The post office to be converted to a classified station or branch is located less than twenty miles from the corporate limits of the office with which it is to be merged, and the alternate service to be provided will be equal to, or better than, service presently being received. (The twenty-mile limitation will not apply in cases where the post office is being converted to a contract rural branch.)
- The conversion is necessary in order to establish or extend city delivery service or rural delivery service from another post office.

Recommendations from Regional Directors for discontinuing or otherwise changing the status of independent post offices are submitted to Headquarters for approval or disapproval. Such recommendations must include the reasons for the proposed change, the alternative service to be provided, a comparison of costs involved in the proposed action, the reaction of the communities affected, and the proposed placement of any employees, including the postmaster, who may be displaced by the action.

In acting on the recommendation, Headquarters will approve the closing of no small post office solely for operating at a deficit. If a post office is closed, the replacement service will be as good as or superior to the discontinued service.

Expansion of City Delivery Service Affecting Small Communities

During fiscal year 1971, 24 communities received city delivery services for the first time which provided city service to 23,042 families. Also, city delivery routes have been extended to provide more convenient service for 347,290 families. In most of these cases, these families had been required to go to the nearest post office to pick up their mail before the service was expanded.

Expansion of Rural Delivery Service

During fiscal year 1971, 353 new regular and 187 auxiliary rural routes were established providing delivery for the first time to 12,816 families. In addition 28,342 extensions of service were authorized which resulted in improved service to 150,942 families and initial service to 108,488 families.

The basic requirement to receive city delivery is population of 2,500 or more and annual receipts of \$10,000 plus other requirements such as numbered houses and street signs, accessible thoroughfares, and the like.

In hundreds of small communities city delivery cannot now, or possibly ever, be provided because the population is not sufficient to justify the high cost.

Small Towns and New Communities

In order to provide city delivery service at a selected number of small towns one or more of several alternate delivery concepts will be tested. The neighborhood box cluster or the postal center are likely to be the techniques most frequently employed. Previously customers in these towns had to pick up their mail at the post office at general delivery or from post office boxes. Under the new concepts, customers will receive mail from locked boxes located closer to their residences.

Cluster boxes and mail service units became operative in Columbia, Maryland in 1967, and we have tested several alternative methods in other areas to improve service capabilities. For example, Vail, Colorado, does not qualify for delivery service due to difficult physical and environmental conditions and the transient nature of the population. Vail is basically a winter resort which has a permanent population of approximately 1,500 people which swells to 20,000 - 25,000 during peak season. An unmanned service unit supplements the rather small local post office. We are proceeding with plans to test a postal center concept at Lake Havasu City, Arizona. Presently only post office box service is available in this approximately 25 square mile area. Six centers will be constructed containing from 256 to 320 delivery boxes. Contractors have been awarded construction but there is no scheduled implementation date firmed up at this time.

Neighborhood Box Unit delivery systems have been successfully tested at Arcadia, Louisiana as a means of providing delivery to older communities which approach the criteria for establishment of delivery service. We expect announcement of this system as a standard type of delivery service in the near future, possibly by the latter part of 1972.

Our focus for sites, at which to test several additional concepts of alternate delivery methods, is to be aimed particularly at new communities which offer several important advantages: (1) they have not had a previous delivery service and, generally, in their initial development stages cannot qualify for city delivery service, (2) there often exists a spirit of pioneerism and futurism, and the initial detailed planning can include the development of the postal system "tailored" to the community. We are presently involved with the developers of several new communities, including Jonathan, Minnesota, in the pre-planning of postal services utilizing one or more of the alternate methods of delivery concepts mentioned above. In addition we are involved in testing these delivery methods in town house and apartment developments. We have under study a longer range effort involving a "Postal Automat" - Box delivery combined with self-service postal units.

Conclusion

Thus, our plans for the current and upcoming fiscal years call for maintaining and improving services available to all of our customers -- whether in urban centers, rural areas, or small communities.

REVENUE FORGONE

Mr. BAILAR. The Postal Service submitted to the Office of Management and Budget, pursuant to section 2009 of title 39 an appropriation request for the full amount of revenue to be forgone by carrying mail at free and reduced rates.

As you are probably aware, the President has declined to recommend to the Congress in the budget of the U.S. Government \$216.4 million necessary to compensate for the revenue forgone due to the phasing of regular rate third-class and controlled-circulation mail being appropriated. It is the belief of the President that the failure to appropriate the \$216.4 million will result in these classes of mail bearing the full cost of services provided without subsidy as indicated by Mr. Weinberger's letter to the Postmaster General of February 7, 1972.

With the chairman's permission, I would like to insert in the record exhibit B, Mr. Weinberger's letter, together with exhibit C, a table which covers the amounts of appropriations recommended by the President compared with those presently requested by the Postal Service. The table indicates the President has requested that \$471,500,000 in revenue forgone appropriations be enacted while the Postal Service is requesting that \$687,900,000, the full amount authorized, be enacted as revenue foregone appropriations. The difference between these two amounts of \$216,400,000 is attributable to the fact that the President's budget has not requested revenue forgone appropriations for regular rate third-class and controlled-circulation mail.

Mr. STEED. Without objection the documents will appear in the record at this point.

(The documents follow:)

EXHIBIT B

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF MANAGEMENT AND BUDGET,
Washington, D.C., February 7, 1972.

Hon. E. T. KLASSEN,
Postmaster General,
Washington, D.C.

DEAR MR. POSTMASTER GENERAL: The President has approved a 1973 Federal payment to the Postal Service fund as shown on page 407 of the 1973 budget.

The recommended Federal payment is \$216 million less than is estimated to be authorized by section 2401(c) of the Postal Reorganization Act. This difference equals the cost of "phasing in" the third-class and controlled circulation rate increases now under consideration by the Postal Rate Commission. The reduced Federal payment will result in these classes of mail bearing the full cost of services provided without a subsidy.

We understand that you plan to inform Congress that the President has not recommended the full amount you estimate to be authorized so that the policy difference is clearly presented to Congress for their consideration.

The President has asked the Congress to enact a rigid ceiling of \$246.3 billion on 1973 outlays. The budget estimates that the Postal Service will account for \$1.4 billion of this total. Since the ceiling is all inclusive, any increase in this estimate will require offsetting reductions in other Government programs.

CIVILIAN EMPLOYMENT

Attachment A sets forth your estimates of civilian employment for 1972 and 1973. While the figures are not considered ceilings, we will need to be advised of adjustments in order to be able to estimate total executive branch employment.

Your cooperation in observing these requirements will be greatly appreciated.

Sincerely,

CASPAR W. WEINBERGER,
Deputy Director.

Attachment.

ATTACHMENT A
EMPLOYMENT ESTIMATES, POSTAL SERVICE

	June 1972	June 1973
Total employment, excluding disadvantaged youth and public service careers trainees....	720,047	708,869
Full-time employment in permanent positions, excluding public service careers trainees..	613,428	618,501

Note: These estimates cover all employment in your agency except for disadvantaged youth and worker-trainees under the public service careers program.

EXHIBIT C

COMPARISON OF APPROPRIATION REQUESTS, FISCAL YEAR 1973

[In millions of dollars]

Appropriations category	USPS request	President's budget
I. Public services.....	920.0	920.0
II. Revenue forgone:		
a. Continuing.....	161.0	161.0
b. Phased rates, other than regular-rate 3d-class and controlled circulation.....	310.5	310.5
c. Phased rates, regular-rate 3d-class and controlled circulation.....	216.4	
III. Transitional.....	32.5	32.5
Total.....	1,640.4	1,424.0

TEN-YEAR DATA ON POSTAL SERVICE

Mr. STEED. I wonder if you could prepare us a chart that would give over a 10-year period the total number of pieces of mail handled annually, the number of homes, offices—drops I think you call them—served, how that has increased year by year. The number of employees, the number of postal facilities you have maintained. This kind of figure. Just to give a picture of the magnitude of the Postal Service showing that the movement of mail is a two-way obligation, that you not only service all these customers in terms of delivering their mail to them each day, but that you also collect their mail to be put into the system and delivered elsewhere.

The reason I think this would be helpful is that you are always hearing comparisons made to the Postal Service, to some of these competitors in the parcel business or in the delivery of third-class mail and then you hear comparisons made about the cost of mail service compared to telephone service and this sort of thing.

The Postal Service comes out on the short end of a lot of these comparisons because people forget that it is required to maintain a service that is not involved in these other activities. When you only have to move mail one way and it is not necessary to sort it because

it has names and addresses on it, you have an altogether different function than you do in trying to maintain a system that will not only deliver preferential mail to some 60 or 65 million places in the country annually, but also to gather it up and place it in the delivery system for redistribution at other places.

If you can make up a table that will serve this purpose, I think it would be good to have it in the record. Do you think you could do that?

Mr. BAILAR. Yes, sir; we would be very happy to provide that.

Mr. STEED. It ought to be done in a way that gives a bird's-eye picture of the magnitude of what the Postal Service really is and how it has grown over the last several years.

Mr. BAILAR. Your point concerning the requirements that are made on the Postal Service relative to those that are made on some of our competitors is very well taken and we will supply that information for the record.

I do have some numbers here that may be of interest to you for the moment.

Mail volume in the period 1960 to 1973 has increased about 40 percent.

The number of post offices has dropped about 10 percent.

The number of city delivery routes has increased about 50 percent.

The number of rural routes has remained fairly static with a slight increase. We provide those numbers now for your use today and we will be happy to supply for the record the table which you requested.

(The information follows:)

U. S. Postal Service
Selected Statistical Data
FY 1962-FY 1971

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Mail Volume (millions of pieces).....	66,493	67,853	69,676	71,873	75,607	77,858	79,517	82,005	84,882	86,983
Special service transactions.....	622,121	613,355	608,417	593,119	592,820	600,337	604,419	575,990	542,589	543,848
Population (thousands).....	186,656	189,417	192,120	194,592	196,920	199,118	201,166	203,635	205,537	207,597
Number of employees.....	588,477	587,161	585,313	595,512	675,423	716,603	730,977	739,002	748,216	724,344
Number of post offices.....	34,797	34,498	34,040	33,624	33,121	32,626	32,260	32,064	32,002	31,947
Number of stations and branches.....	10,156	10,347	10,644	10,962	11,212	11,524	11,671	11,156	11,110	10,340
City delivery service:										
Number of delivery routes.....	100,618	103,592	107,024	110,998	113,302	118,464	122,682	126,873	130,387	132,923
Business firms served.....	4,071,215	4,194,247	4,338,487	4,427,955	4,643,091	4,704,874	4,723,986	4,766,481	4,798,538	4,912,224
Families served.....	42,651,642	43,965,213	45,119,764	46,334,382	47,389,535	48,366,391	49,353,653	50,551,985	51,549,916	52,611,702
Number of deliveries (000).....	.....	.....	.....	.....	51,761	52,904	53,953	54,935	55,985	56,985
Square miles served.....	55,313	57,193	59,544	63,328	65,840	64,396	67,534	68,680	69,242	70,000
Rural delivery service:										
Number of routes.....	31,323	31,299	31,212	31,135	31,057	30,947	31,031	31,181	31,346	31,517
Total length of routes.....	1,813,732	1,837,888	1,872,309	1,890,953	1,893,863	1,917,891	1,966,641	1,979,996	2,044,335	2,081,394
Annual travel (thousands of miles).....	552,728	554,679	564,426	572,310	575,325	583,741	596,905	603,089	622,733	634,106
Families served.....	9,282,314	9,551,915	9,587,785	9,823,256	9,983,691	10,258,004	10,510,230	10,782,727	11,089,556	11,448,688
Vehicle inventory.....	44,086	45,726	47,031	52,801	56,607	58,666	65,576	69,591	83,244	91,011
Vehicle miles traveled (thousands of miles).....	431,483	448,731	455,400	463,830	480,534	513,953	524,096	558,683	557,358	593,027
Space occupied:										
Total buildings.....	28,163	28,282	28,377	28,655	29,382	29,662	30,274	30,378	30,773	30,975
Interior space (thousands of square feet).....	109,836	112,673	116,513	121,080	126,172	128,347	133,216	140,821	145,732	148,548
Revenue (thousands of dollars).....	3,557,041	3,808,610	4,206,398	4,420,793	4,682,519	4,962,702	5,528,311	6,114,397	6,346,655	6,664,988
Obligations (thousands of dollars).....	4,331,617	4,616,968	4,895,416	5,182,844	5,629,625	6,133,449	6,635,285	7,228,111	8,069,555	9,047,132

5/26/72

Mr. STEED. Percents are good, but totals sometimes are more impressive than percentages. The average person has no idea at all of how many new places each 12 months you have that you have to deliver mail to.

Mr. BAILLAR. As an example, our city delivery routes have increased from 94,900 routes in 1960 to 146,000 routes currently. We will provide the detail you requested.

Mr. STEED. This is an area in which you can't decrease employment because you deliver mail as homes develop.

As new offices and homes entitled to mail delivery keep coming into the picture, it is obvious your carrier force has to grow.

Mr. BAILLAR. We have an obligation to serve every location in the country. We recognize and accept that obligation and I am sure the numbers we provide will bear this out.

Mr. STEED. I felt it was time we had a comprehensive table so that at a glance anybody interested can get an accurate picture of the magnitude and the growth of the Postal Service in terms of what it is required to do in the areas it serves and the way it serves.

Mr. BAILLAR. We will see that you have it.

MAIL VOLUME AND REVENUE REDUCTION

Mr. STEED. Some comment has been had up to now about a reduction in mail volume this year for the first time since the early thirties. What impact will this have on your revenues? Does a reduction of this sort make a bigger impact on revenues than it does in cost? What is your experience along this line?

Mr. BAILLAR. Mr. Chairman, as a rule of thumb a 1-percent reduction in mail volume from our plan causes a revenue loss on the magnitude of \$80 million per year. This year mail volume has fallen slightly more than 2 percent below what we anticipated in mail volume causing us to lose revenue in the range of \$175 to \$200 million from the planned levels.

REVENUE/COST REDUCTION CORRELATION

Ordinarily, such a volume reduction would be accompanied by a cost reduction. This year the reduction in revenues was unanticipated and, as a result, we have not been able to reduce our costs in keeping with the revenue reduction. However in any event the cost reduction is not directly correlated to the revenue reduction because some of the services which we have to provide remain constant even as the physical volume of mail declines—specifically in terms of the addresses that have to be covered on delivery services and the mail boxes from which we have to collect. So, while our processing and transportation costs go down, the total costs of the Postal Service don't go down in proportion to revenue reductions.

Mr. HARGROVE. Could I add something to this, Mr. Chairman? This relates to a question Mr. Myers asked me yesterday which I probably didn't answer completely.

The total costs of the Postal Service consist of variable costs and institutional costs, and the variable costs, the subject of my conversations with Mr. Myers yesterday, were only about 50 percent of the total. Costs are almost evenly divided between variable and institu-

tional. When the volume falls off, we should be able to reduce the variable part. That is only 50 percent, however. As Mr. Bailar says, a reduction in volume reduces our revenue substantially more than we are able to reduce costs and therefore impacts us adversely as far as our net income situation is concerned.

CLERKS AND CARRIERS PRODUCTIVITY GAIN

Mr. STEED. Now, in the discussion we had about the anticipated increased productivity of clerks and carriers, 5 percent I believe you anticipate for clerk force and 2.5 percent for carrier force. Do you get a dollar value for this type of an increase, a productivity dollar gain?

Mr. FAUGHT. Actually that measure is in hours required to process a thousand letters, or the measured amount of letters, so that it is in direct relationship to the cost of processing that mail. You should then get, for each hour reduction, a corresponding reduction in cost.

Mr. STEED. I just wondered if you made any total estimate as to what your dollar advantage will be if these increased productivity goals are reached. Do you have an estimated figure for that?

Mr. BAILAR. We have estimated a savings in fiscal year 1973 over fiscal year 1972, \$162.8 million, which would be the direct result of the productivity increases.

Mr. HARGROVE. You might refer to page SE-8 in your big book, which shows an analysis of the difference between 1972 and 1973, and contains this figure.

REVENUES FOR 1972 AND 1973

Mr. STEED. Revenues for 1972 were based on March 1, 1972, implementation of temporary rates and full rates for regular rate third-class mail effective January 23, 1972. What is the basis for the 1973 projected revenues? That these rates will remain static?

Mr. BAILAR. Mr. Chairman, the 1973 revenues as shown in the budget which was submitted to the Congress are based on the assumption that there will be a rate increase in January of 1973 which will total \$450 million for the balance of fiscal year 1973. That is for the 6 months during which that rate increase would be in effect.

POSTAL RATE INCREASE

Mr. STEED. That rate change, if it comes about, will be only in the regular rate third class?

Mr. BAILAR. No, sir; that would apply to all classes.

Mr. STEED. As I understand it, the \$216 million that you are asking for, that is in excess of what the budget recommends, is the difference between a 5-year phase-in and an immediate phase-in of the third-class rate. It is all on that one item.

Mr. BAILAR. It is in regular rate third-class and controlled circulation mail, Mr. Chairman. The authorization which we have provides for 5-year phasing and our appropriations request was based on that assumption. The unphased recommendations from the Office of Management and Budget would be that these classes of mail bear full rates.

Mr. STEED. The reason I bring that up is, you know, if the Rate Commission makes a finding—hopefully before we have to finish our work here—then we have something final to go on. But we are all hanging in mid-air—you are and we are—until the Rate Commission finalizes what this is going to be.

I was just hoping we would not have that mid-air sort of a situation still hanging over us when we got down to marking this bill up this year.

Mr. BAILAR. We share your hope for an early decision from the Rate Commission, Mr. Chairman.

Their decision will not have a bearing on whether we have the funds to go to the phased rates.

Mr. STEED. It would be easier for us to make our decision based on what those fixed rates were, you see, because then you have a permanent fix on revenue forgone. Presently it is a matter of doubt and concern to us because everything is under attack that you have on the books now and it is subject to change. So any calculation we make here, based on your viewpoint or on the Bureau of the Budget viewpoint, might be shot down before we got the bill to the floor, by action of the Rate Commission, if you see what I mean.

Mr. HARGROVE. I think the chairman is correct in that the Rate Commission may recommend a different level of rates for third-class regular rate mail. We have proposed 5 cents. Conceivably the Commission could recommend 6 cents. If they did recommend 6 cents, the amount of money involved in phasing up to that new level would be higher and the revenue-foregone increase that we would have to ask for would be greater than the one we are now asking for. One would expect that if the Office of Management and Budget would not go along with the revenue-foregone increase at the lower level, they would also not go along with the revenue-foregone increase at a higher level.

Mr. STEED. It would still be helpful to us, though, to have that sort of a permanent factor upon which to base our judgment. Cost ascertainment being unsettled, so to speak. It leaves this whole thing up in mid-air. We would have no difficulty at all if we had it finally settled.

Mr. BAILAR. I think it would be helpful to all of us to have an early ruling from the Rate Commission, Mr. Chairman. We are hoping to get a recommended decision soon.

Mr. STEED. Everything is challenged. Everything is in contest and there is no way for any of us to really know where we are until the Rate Commission does act. If they agree with you, that is one thing. If they change those factors and figures, then you have another set of totals; it seems like time is running out. They could make their findings in the very near future and it poses a problem for us if we mark up on the assumption there won't be a finalizing of this.

It is one thing if we knew this situation would stay as it is until after the bill is completed and another if the ball game gets changed while we are in the process of moving the bill after we have already gotten it marked up. This gets to be a little tight in terms of our timing and our having to move on our bill.

CONTINGENCY FUND

Do you have a contingency fund proposal in this year's budget?

Mr. BAILAR. Mr. Chairman, the budget which we have submitted estimates a surplus of \$94,270,000 in fiscal year 1973. The Postal Reorganization Act provides for the Postal Service to operate on a basis in which costs and revenues are in approximate balance, and there is a provision for nominal variations from that from year to year.

Mr. STEED. Would you be able to provide for the record the amounts of anticipated carryovers into 1973 in the construction and operation of reserves from this year's operations or do you think you will be in deficit?

Mr. BAILAR. We will provide it for the record.

(The information follows:)

The budget for 1973 as submitted anticipates no uncommitted funds will be brought forward from fiscal year 1972; \$330.4 million of commitments against borrowing authority is unfinanced and to be financed in future years by the sale of bonds as needed to meet delivery requirements.

WITHDRAWALS UNDER CONTINUING RESOLUTION

Mr. STEED. What amount of funds did you withdraw under the authority of the continuing resolution last year?

Mr. BAILAR. We withdrew the entire \$1,217 million on July 1, Mr. Chairman.

Mr. STEED. Were you able to invest those in some short-term obligations?

Mr. BAILAR. Yes, sir. The cash reserves of the Postal Service, beyond the balances needed for routine operating requirements are invested in U.S. Treasury obligations.

QUARTERLY ALLOCATIONS AND GAO AUDITS

Mr. STEED. Do you still make your quarterly allocations as was required under the old law?

Mr. BAILAR. No, sir.

Mr. STEED. As I understand, under the law, the General Accounting Office had not only the authority, but the requirement of auditing your accounts. Have you had any such audit yet?

Mr. BAILAR. Yes; we have.

At the outset of fiscal year 1972 the Board of Governors of the Postal Service appointed Ernst & Ernst as outside public auditors and they have audited a balance sheet which was subsequently reviewed and approved by the General Accounting Office in December 1971. The GAO approved the balance sheet certified by Ernst & Ernst.

EXPERT CONSULTANTS

Mr. STEED. I notice that altogether there are about 159 consultants during the current year. As I understood, the Postmaster General said there would be a very substantial change in this for the next fiscal year. Do you have any additional information on what that program will probably be?

Mr. BAILAR. Not at this time, Mr. Chairman. The Postmaster General has established a policy calling for a sharp cutback in the use of outside consultants and we have established a tight control over the approval of consulting contracts. We anticipate there will be a sharp reduction in fiscal year 1973.

CATASTROPHE INSURANCE

Mr. STEED. I notice from the justifications that you are starting a self-insurance fund which you call a catastrophe reserve. What is the purpose of the fund and what level do you anticipate building up to in the future?

Mr. BAILAR. I would like to have Mr. Doak reply to that.

Mr. DOAK. Mr. Chairman, it is a small amount set up each year to build up a reserve to offset any major catastrophe which may happen in the Postal Service, such as fire damage and work stoppage or interruption of service that might be attributable to loss in plant capability due to structural damage.

CAPITAL INVESTMENTS

Mr. STEED. What is the number and the dollar amount projected for capital investment during the coming year? You have already given us some figures on renovation, but I refer to the capital investments.

Mr. BAILAR. We project \$1,327 million in 1973 for capital investments.

The figure of \$1,327 million, Mr. Chairman, is principally allocated to facilities, at \$685 million, and mail processing equipment at \$545 million. There are lesser amounts of \$41 million for vehicles, \$19 million for customer services equipment and \$36 million for postal support equipment.

Mr. STEED. Do you have the number of facilities this will provide for you?

Mr. FAUGHT. We will have to supply that.

(The information follows:)

POSTAL FACILITIES

As of April 28, 1972, the Postal Service occupied space in 31,167 buildings. Of this number 300 are operated by GSA while the remainder are operated by the Postal Service.

POSTAL OPERATIONS REFORM PRESENTATION

Mr. STEED. I understand you have a presentation you want to make. Are you in a position where you can do that now?

Mr. BAILAR. We will be happy to.

Mr. STEED. Suppose we have that now.

Mr. BAILAR. Mr. Chairman, if I could make a comment about this while the gentlemen who are going to make the presentation join us. The Postal Service has embarked on a vigorous program of service improvements to go hand-in-hand with the cost reduction which you heard so much about yesterday. We have formed a committee to develop a program which is both low cost and a program which can be instituted quickly so we don't get bogged down in a major undertaking. However, we wanted something of substance, which we felt that the public would appreciate and recognize. This program attempts to deal with that situation.

I would like to introduce Tom Ellington, recently selected Assistant Postmaster General. He will conduct the presentation.

Mr. ELLINGTON. I will be working with Bill Dunlap, Assistant Postmaster General for Product Development.

I would like to begin with a slide presentation. We, of course, are available for questions afterward. Without any further ado, let me direct your attention to the screen and we will begin.

(The slide presentation follows:)



Report of the Ad Hoc Committee

to the

Board of Governors

Tuesday, April 4, 1972

We are here today to discuss postal reform. Not the legislative phase, that's behind us. Not the administrative phase, that's almost completed with the establishment of the Rate Commission, our internal restructuring and our new labor contract. We'd like to talk about the part that everything else has been leading up to: the operational phase of postal reform. Turning the post office around in fact as well as in law.

Seven weeks ago the Postmaster General established this ad hoc committee to generate ideas and programs which would make clear to the public and to our employees the Postal Service's commitment to service.

We solicited the ideas of almost three thousand individuals here and in the field: postal officials, rank and file workers and customers. We asked their opinions and ideas and received many excellent suggestions. We then spent some time refining them, costing them out, and trying to shape the best of them into a consistent program. We will describe that program shortly.

Our objective is to convey to each employee that this is not just one more reorganization and to convince the public that postal reform is not just an easier method for getting rate increases. This is a big challenge, but postal management has won some tough ones in recent years. In fact, it may put things into perspective to review briefly the historic achievements of the last few years.



2800 INDIVIDUALS CONTACTED

- HEADQUARTERS EXECUTIVES
- REGIONAL OFFICE EXECUTIVES
- REGIONAL SPECIALISTS
- DISTRICT AND METRO MANAGERS
- DISTRICT SPECIALISTS
- SCF POSTMASTERS
- FIRST-CLASS POSTMASTERS
- SUPERVISORS
- MAIL HANDLERS
- WINDOW CLERKS
- CARRIERS
- PARCEL POST MAILERS
- CUSTOMER COUNCIL MEMBERS
- MAJOR MAILERS
- GENERAL PUBLIC

- Politics is out as a way of life in the nation's post offices.
- We've gotten from Congress in postal reform 90% of what the Kappel Commission recommended.
- We have completed a major restructuring of our internal operations -- at least at the headquarters and regional level -- the impact has not yet been felt in post offices.
- We have cut the headquarters and regional complement from 6600 people to 3600 people: a major reduction in bureaucratic drag.
- We secured a good labor-management agreement after months of difficult negotiation -- and that was done without outside arbitration.
- We haven't put it on the slide yet as an achievement, but we are hopeful that we will get almost everything we wanted from the Rate Commission.

Each one of these accomplishments took a major struggle. Each involved risks, each was preceded by debate and uncertainty. But so far, on the big ones, postal management has a fine track record.

In terms of how well the business is being run, improvements have been made in both the major indicators: productivity is well above last year and service is improving.

PROBLEMS

- SOME NORMAL
- SOME TRANSITIONAL
- SOME BASIC

These achievements set the stage for what must be done next.

But we do have problems: many were brought to our attention in the course of the survey. Some were the normal gripes you hear in any organization. Others related to the organizational transition now underway all over the country and hopefully will be soon resolved. But much of what we heard reflected confusion about the purposes and objectives of the Postal Service. Reflected uncertainty about what was expected of an individual who works for us.

It was clear to us, for example, that the real meaning of postal reform has not yet permeated throughout the organization: that the post office was changed not because it was expensive, or political, or primitive in its labor practices, but because it wasn't giving the service the nation required.

PROBLEMS

- SOME NORMAL
- SOME TRANSITIONAL
- SOME BASIC

A commitment to service must be established at every level in the post office. This commitment must be more than sentiment. We must give good service, so that our commitment is credible.

Placing an emphasis on service need not be expensive. Streamlining operations, eliminating rehandling and reducing processing errors lower our costs at the same time they speed the mail. When you have as many employees as the Postal Service, there are many possibilities for rearranging them so the public is better served without increasing total cost.

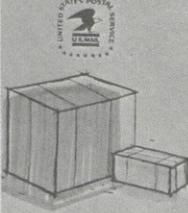
A major problem is that our credibility with the general public is being eroded by the combination of price increases, continued bad experiences with mail service and a lack of visibility for our achievements.

We'd like to show you some of the suggestions which came to us in the course of our survey. These are only a sample of the hundreds received, but they are typical.

Many of the ideas we received dealt with parcel post -- reducing damage, providing assured next-day service -- at least over short distances.

COMMITMENT

- COMMITMENT
- COST
- CREDIBILITY



PARCEL POST

- NEXT DAY LOCAL AREA DELIVERY
- "DAMAGE" CONTROL
- SPECIAL BUSINESS SERVICE

There were many suggestions and complaints regarding our collection service. We'll be talking more about this later. It appears to be an area where we can make highly visible improvements with a minimum of expenditure.

COLLECTION IMPROVEMENT

- LATE PICK-UP
- SERVICE INFORMATION
- MOTIVATION

In several large offices performance is being improved by using small work groups which remain together with the same supervision day after day. This contrasts with the usual practice of assigning employees on an arbitrary basis as they arrive at the time clock.

"TEAM" APPROACH



EACH EMPLOYEE WORKS AS PART OF A "TEAM."

Post Office working conditions have come in for a great deal of criticism in recent years. In some places, a new facility is the only answer, but in others, a lot can be accomplished with paint and imagination.

WORK AREA IMPROVEMENT

- CLEAN-UP
- COLOR AND DESIGN
- INFORMATION

One of our most serious service problems is special delivery: Every mistake is noticed and criticized since each letter is, by definition, urgent. We heard about various techniques to reduce handling errors, some of which are now in use in various parts of the country.



SPECIAL DELIVERY

- SPEEDY BAGS
- TELEPHONE NOTICE
- DIRECTORY SERVICE

One of the best ways to demonstrate to the public that the Postal Service is different is to adopt some of the merchandising techniques used in the private sector. We heard many ideas for expanding the use of Self-Service Postal Units, setting up "postal stores" in our lobbies, and using a modern approach in this, the nation's largest chain of retail outlets.

Not much will be accomplished until we build a team of well-motivated managers who understand the objectives of the Postal Service and have a strong commitment to them. This is a widely recognized need: many suggestions addressed this point.

A major part of management motivation is the training of supervisors both in terms of supervisory skills and in establishing a commitment to service and to efficient management.

Among the proposals we received was one to sell stamps by mail both to reduce traffic in lobbies and as a convenience to the public.

RETAILING PROGRAM

- POSTAL STORE
- EXPAND SSPU

MANAGEMENT MOTIVATION

- POLICIES
- COMMUNICATIONS
- ACCOUNTABILITY

SUPERVISOR PROGRAM



MOTIVATION FILM
REGIONAL SEMINARS

MAIL ORDER SERVICES



STAMPS BY MAIL
STATIONERY BY MAIL
SERVICE INFORMATION

Many people recommended that all employees who come into contact with the public be given a uniform allowance and that a more attractive uniform be designed for window clerks.

Time and again in our survey we heard employees say, "This is the first time anyone ever called us for our opinion." We were particularly impressed, therefore, by the suggestions we heard for a permanent mechanism for drawing upon the opinions of employees regarding service and operating improvements and in listening carefully to their attitudes.

A great deal of attention is being paid to airmail today in the Postal Service -- it was the first service for which service standards were established. We heard many ideas for promoting its use and will be going into more detail on this later.

One of our most serious service problems is the way we treat people on the telephone: In terms of courtesy, information and even getting through to the right person at all we have a long way to go. Several suggestions addressed this problem.

UNIFORMS PROGRAM

- CLERKS
- CARRIERS
- PART-TIME EMPLOYEES
- ALLOWANCES

EMPLOYEE FEEDBACK PROGRAM

- ATTITUDE SURVEYS
- OPINION FORUM
- SUGGESTION PROGRAM

AIR MAIL IMPROVEMENT

TELEPHONE SERVICE PROGRAM

- 
- TRAINING PROGRAM
 - STANDARD REFERENCE MATERIALS
 - PROMOTION OF TELEPHONE SERVICE

Many ideas were directed to the appearance of our facilities, particularly lobbies and other public areas. We'll be talking more about this in a few minutes and showing you quite graphically what can be done at minimum cost.

Many ideas fell into the category of building a commitment to service, a commitment strong enough that the public would recognize that there's been a change.

We will be working in each of these areas in the future, and adopting many of these suggestions, but to begin with we have selected those which can be put into effect immediately.

From these we have formulated a program with three major purposes.

1. Establishing a strong sense of commitment to service and conveying that commitment to the public and to our employees.
2. Taking positive steps to foster greater use of the services on which we do a good job, and can make money with more volume.

FACILITIES IMPROVEMENT

*CLEAN AND PAINT PROGRAM
LOBBY REMODELING
SIGNAGE STANDARDIZATION*

SERVICE COMMITMENT

- PUBLIC RECOGNITION
- EMPLOYEE SUPPORT
- SERVICE IMPROVEMENTS

THREE KEY OBJECTIVES

- CONVEY TO PUBLIC AND TO OUR EMPLOYEES OUR COMMITMENT TO SERVICE EXCELLENCE
- PROMOTE GREATER USE OF THOSE SERVICES WE PERFORM WELL
- IMPROVE OUR SERVICES WHERE WE DO NOT NOW MEET PUBLIC NEEDS

3. Finally, we want to identify those areas where we can give significantly better service at a small increase in cost.

The program involves not only informing the public of our commitment but also convincing our own employees and managers that our business is service, that the business of the Postal Service is...

SERVING AMERICA

We picked this title because it stresses service, expresses somewhat the official nature of the Postal Service, and suggests its nationwide scope.

The Serving America program emphasizes commitment. The commitment we've made to Congress to bring costs and revenues into balance. The commitment we've made to the public to bring them better service ... The commitment to business customers that we will modernize our operation so that future price increases can be held to an absolute minimum.

The program covers as well a major effort to increase usage of airmail, a service with very good performance but which has seen a steady decrease in volume, largely because of serious public misunderstanding about what we do with the mail.

THREE KEY OBJECTIVES

- CONVEY TO PUBLIC AND TO OUR EMPLOYEES OUR COMMITMENT TO SERVICE EXCELLENCE
- PROMOTE GREATER USE OF THOSE SERVICES WE PERFORM WELL
- IMPROVE OUR SERVICES WHERE WE DO NOT NOW MEET PUBLIC NEEDS



Serving America

- Service Awareness
- Increased Airmail Usage
- Collection Improvement

Let me make an important distinction. We need improvement in many services.

- We've got to reduce parcel post damage.
- We've got to speed parcel delivery.
- We've got to fix special delivery.

All these things are being worked on right now in many places in the field.

But in terms of what we're ready to take to the public now -- and say "Look - This works - try it - you'll like it." The biggest thing we have to sell right now is Airmail. There are millions of dollars to be made here.

The program also covers a service improvement program with high leverage -- collection operations -- an area where small selective expenditures can bring significant improvements in the level of service.

Tom Ellington will describe now the first phase of Serving America, the steps taken to increase employee motivation, to build a commitment to service and to establish the credibility of that commitment with the general public.



The problem of credibility with the public is not something that can be helped much with words alone. Even though we are making some progress in improving service, there remains the potential for any good impression to be erased by the experience of doing business with many post offices. Far too many.

Many older post offices are dirty and cluttered with a variety of crude hand-lettered signs and out-dated posters. Quite a few are a disgrace, plain and simple.

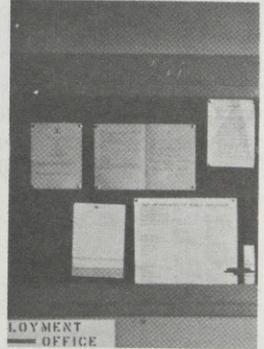
One of our first jobs, then, is to get these substandard lobbies -- and we estimate about 6,000 of them are involved -- looking better, quickly and dramatically yet without getting beyond current budgets.



Here's a post office lobby in the Washington area. Not the worst example we found, by far. Nevertheless, it still looks more like an old fashioned railroad waiting room than a modern service facility.



Racks and tables are placed at random and contribute to the clutter. Signs and notices are typically pasted wherever there's a room.



The program to upgrade lobbies like this one is not that elaborate -- involving paint and signs.

Here's the difference these can make -- plus a little imagination.

The stripe of color unifies the windows and gives the entire wall some sense of design. The window signs are in coordinated colors.



Bulletin boards were simply organized with a little more care.

In this example, a facsimile mail poster is displayed. As an important first step in our "Serving America" Program, we expect all substandard lobbies to be upgraded to this extent by July 1.



The next leg of this program is essentially a promotion, designed to give more visibility to our commitment to service. We feel that this is important to help offset a relatively indifferent and skeptical attitude by the public today.

The centerpiece for this promotion is a semi-permanent display unit called a "Postal Service Center." The one shown here is a prototype of a modular unit that, in one form or another, will be put up in roughly 20,000 lobbies by July 1.



The size will range from several panels to a small bulletin-board unit, all built locally to standard specifications.

The service centers have two purposes -- the first of which is to help organize and consolidate notices and other information. The second purpose is simply to represent a noticeable addition, conveying an increased emphasis on service.

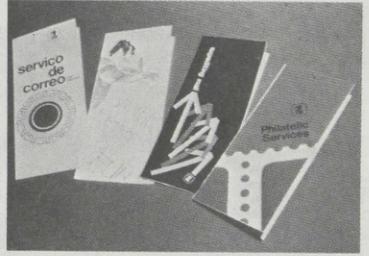


We are in the process of preparing a series of new informational brochures to stock these display units.

Shown here are the covers for some of the brochures to illustrate the range of subjects.



Here, you see others, including a piece in Spanish where appropriate and even one for small children about how to prepare a letter.



Lobby posters are being prepared carrying the "Serving America" theme. These are the first two of a series of six.



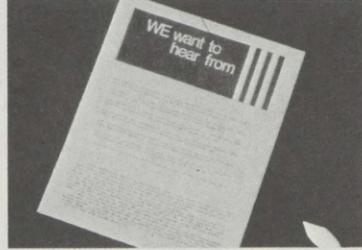
That theme will also be carried through on buttons for window clerks.



In a few post offices, we are going to try a new customer feedback system where postage-paid envelopes are provided with questions and space for suggestions and complaints.



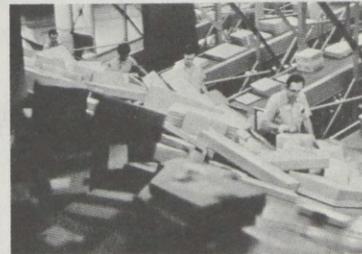
The Postmaster would be responsible for preparing a summary for his superior and these would be passed up the line. It's possible that this could be a very useful service analysis tool, but we want some experience with it first.



In July, we also plan a follow-up direct mailing to all U. S. households, carrying information about postal services, service standards and so forth.



Obviously, our employees are critical to any effort to improve our credibility with the public. Too many of them still fail to appreciate the seriousness of their role and the potential consequences of poor performance. For this reason, we are preparing a number of materials for employees as part of the "Serving America" program.



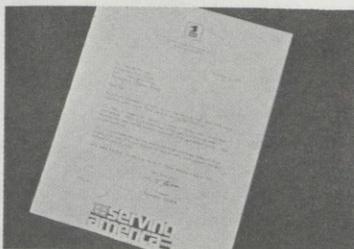
First, we are working on a major half-hour film on the subject of service to be shown to all employees at the start of the "Serving America" campaign in July.



There will also be a related magazine mailed to each employee's home.



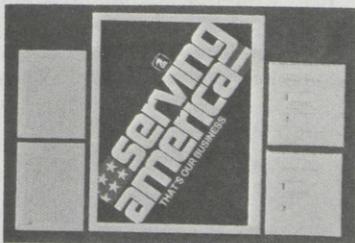
With that, will be a letter from the Postmaster General.



For each craft, we plan to prepare a brochure that specifically relates his job to service performance. We hope to have the unions contribute to this message.



Service standards information and records will also be consolidated on specified work area bulletin boards. Publishing factual performance data has been effective in random cases today.

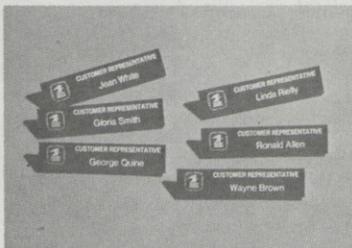
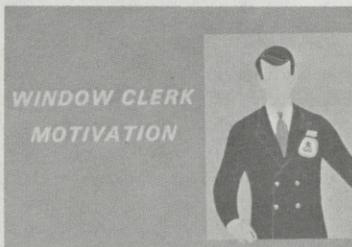
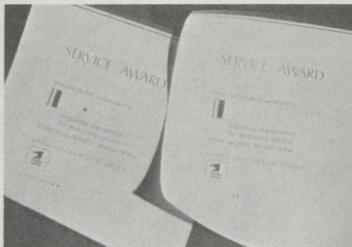


The service awards program will be augmented and geared to achievement of specific goals.

Of all our employees, window clerks represent the biggest problem with our customers. They are a major source of contact and all too often of irritation. For this reason, we are planning some special elements specifically for window clerks. These are not intended to substitute for the basic training program which is underway, but will complement those efforts, and create greater awareness of the importance of service and courtesy in all dealings with the public.

First, a fairly simple, but symbolic change. We plan to designate these men and women "Customer Representative" and provide them name badge with that title.

The plans for redesigning their uniforms will be stepped up. Here are some ideas being considered, all substantial improvements which should give them a better sense of identification and pride. The difference in appearance behind the counter speaks for itself.



To help speed up lines and provide better information to customers, we are working on a compact query book based on the questions most often asked by our customers.



Additional motivation for "customer representatives" will be provided through a film dealing with service, customer problems and needs, and the importance of courtesy. It will be supported by a new publication called "Postal Retailing" which we plan to start on July 1 and continue on a bi-monthly basis, containing information about new products, retailing techniques and so on.



Another aspect of the initial "Serving America" program involves more effective use of the telephone to provide mailing information. Right now, some post offices do an adequate job of handling calls, but many do not. People who call for help are often routed around, made to wait unduly and, too often, receive brusque or even rude treatment.



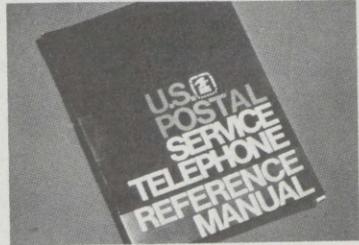
To improve this service, we are initiating a study of telephone capabilities and procedures which will result in a manual providing guidance for properly organizing this service.



This will be accompanied by training materials for the people assigned to telephone duty, including instructions on how to handle the inevitable prank calls.

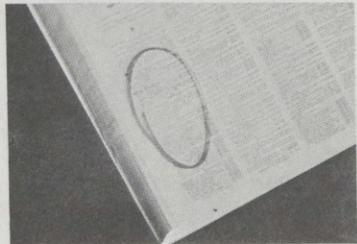


A special reference book will be included, which organizes postal information into those categories most frequently asked.



In larger post offices, telephones will be installed in the lobby, often in the Service Information Center, thus helping to cut down on the necessity to wait in line just for information.

To encourage queries from the outside, we also are working on more useful cross references in the telephone directory and postmasters will be given specific guidance on this to work out with area telephone representatives.



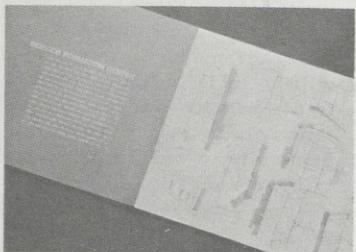
Finally, in those areas where the program is operating satisfactorily, we will let people know about this service through carrier-delivered cards like this and posters in the lobbies.



All of the programs described so far -- for upgrading lobbies, motivating our employees, the clerk program and the telephone service project -- will be explained in a workbook distributed to Postmasters. It will give them detailed direction on those things they must do and let them know exactly what will be supplied from here.



For example, it will give detailed specifications for the "Service Center" units in a variety of sizes.



It will include lettering kits to encourage uniformity of signs and notices in the lobbies.



Most of the cost of the programs just described fall within existing maintenance, printing and promotion budgets. We have essentially reorganized some on-going activities under a common theme. To the extent that there are new costs involved, these will be covered by unexpended promotional funds so that, net, there will be no additional money required.

Bill Dunlap will now talk about some additional projects underway involving specific service improvements.



There are two services which are part of the "Serving America" program. The first is airmail. The Postal Service is today giving much better airmail service than most people realize. We see an opportunity for improving this service even further. At the same time, we need to make people aware of the fact that airmail does get messages to most destinations faster than regular mail.



The Airmail Improvement Program, which was announced in April, 1971, was designed to provide next-day delivery 95% of the time, for airmail which is:

- Addressed to specified major cities (chiefly within 600 miles)
- Deposited in white top boxes before 4:00 pm
- Is ZIP Coded

**AIRMAIL IMPROVEMENT
PROGRAM**

BEGAN JULY 1971

ASSURES NEXT DAY DELIVERY (95%)

FOR MAIL -

1. ADDRESSED TO SPECIFIED MAJOR CITIES
(CHIEFLY WITHIN 600 MILES)
2. DEPOSITED IN WHITE-TOP BOXES
3. BEFORE 4 PM PICKUP
4. WITH ZIP CODE

For mail which qualified we have consistently achieved better than 90% next-day delivery under this program. The emphasis in the Airmail Improvement Program has helped the performance of all airmail, where we have been achieving second day delivery anywhere in the country about 90% of the time.

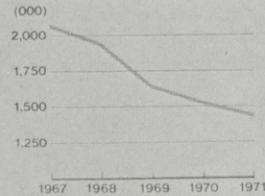
**RESULTS CONSISTENTLY
ABOVE 90% FOR TEST
LETTERS BETWEEN CITY
PAIRS SPECIFIED**

However, in spite of "good service performance" airmail volume has dropped steadily, going from about 2 billion pieces in 1967 to 1.5 billion pieces in 1971.

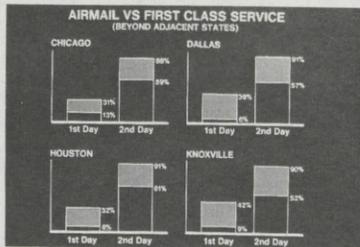
One of the principal reasons for this decline has been the widespread misconception that first class mail is as fast as airmail because all mail--including first class--flies.

Airmail, however, is generally faster because it is given priority treatment over first class mail at origin, in transportation, and at destination. The results of the special attention can be seen in the slide which shows the difference in delivery between first class mail and airmail from some selected large cities.

AIRMAIL VOLUME (PIECES)



This bar chart shows first class performance in the green, airmail performance in orange. As you can see, first class mail from Dallas, for example, going beyond adjacent states has a 6% next day delivery. This compares with 39% for airmail. Second day, first class has 57%, airmail has 91%.



Nationally, airmail has 30% first day delivery versus 7% for first class 600-1500 miles, and 5% over 1500 miles. Second day airmail has 88% delivery versus 54% for first class 600-1500 miles and 47% over 1500 miles.

	AIRMAIL	FIRST CLASS	
		601-1500 MI.	1500+ MI.
First Day	30%	7%	5%
Second Day	88%	54%	47%

Increasing airmail would also represent increased revenue for the Postal Service. An increase of 20% in new airmail volume would bring us about \$40 million at present rates. If the rate goes to 13¢ our revenue increase would be even greater. Should that happen, there would be an even more compelling reason to promote airmail, since there would be a need to convince customers that airmail is worth the 5¢ differential versus first class mail.

The first step to improve airmail is to bolster the Airmail Improvement Program by adding cities beyond 600 miles where we can provide next-day delivery. About 2,000 city pairs will be added in May.

The public has to be made aware that if they get an airmail letter to the postman by noon, the local post office by 3:00, the white top box by 4:00, the main post office by 5:30, or the airport facility by 7:00, it will qualify for the "next-day delivery" AIP promises.

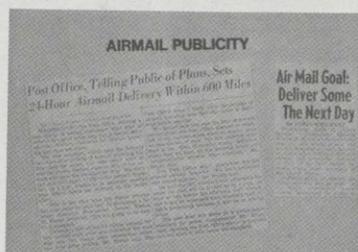
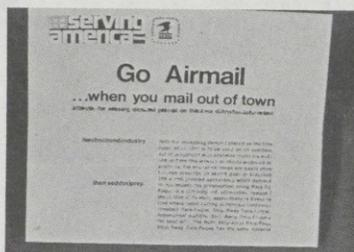
These times may vary somewhat for specific local areas.



USER OPTIONS:	
	POSTMAN BY NOON
	BRANCH POST OFFICE BY 3:00
	WHITE TOP BOX BY 4:00
	MAIN POST OFFICE BY 5:30
	AIRMAIL FACILITY BY 7:00

We believe an effective vehicle for communicating our airmail story is by a direct mail piece. We plan to target our direct mail campaign first against business customers since they represent the largest volume of potential airmail users, and business customers usually have the greatest need for fast mail delivery. Direct mail pieces will be sent in July to some 450,000 prime business customers throughout the United States. A separate piece will be sent to the business executive, his secretary, and the person in charge of the mail room. These promotional pieces will emphasize the advantages of airmail, how to use airmail most effectively and will demonstrate actual airmail performance benefits.

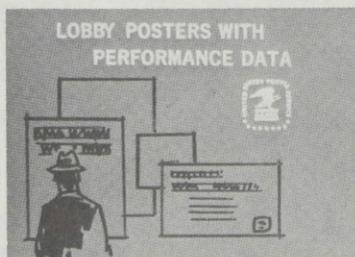
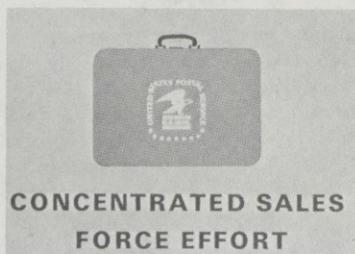
An airmail publicity campaign will be launched by local postmasters concurrent with the mailing this summer. Postmasters will develop in detail the advantages of airmail for local residents.



An important aspect of this whole program is maximizing customer awareness, and to help accomplish this we plan to bring our 60,000 customer representatives into action. We will be sending a letter to each customer representative outlining the advantages of airmail and asking him or her to emphasize airmail during August.

During this same period we will mobilize our postal sales force to personally present the specific story of airmail's advantages/benefits to the internal "communication directors" of all major business mailers throughout the nation. That prepared sales presentation will underscore how the USPS has been performing with airmail and how our customers can use it most effectively.

We would put posters demonstrating airmail performance data in post office lobbies and work rooms--the latter to build postal employee interest in and commitment to providing superb airmail service.



Special airmail campaigns will be developed to run around four special holidays: Valentines Day, Easter, Mothers Day and Christmas. The thought is to get people, specially families, to communicate with each other via airmail during these holiday periods.

A new customer-convenience service--selling stamps by mail would be implemented. We would provide, by mail, a \$5.00 package of stamps consisting of 2-\$2.00 first class stamp books and 1-\$1.00 airmail book.

**SPECIAL ADVERTISING/PROMOTION
CAMPAIGN PRIOR TO:**

- * *Valentine's Day*
- * *Easter,*
- * *Mother's Day*
- * *Christmas*



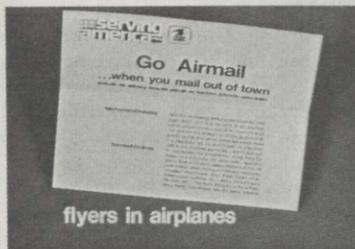
■ **MAIL ORDER FOR
STAMPS:**

■ **AIRMAIL STAMPS IN
EACH PURCHASE.**

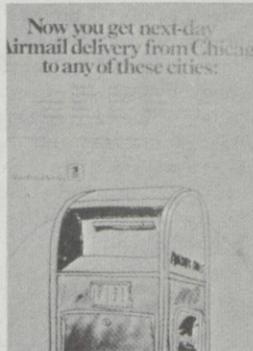
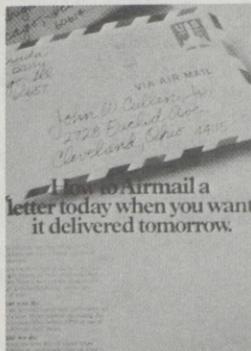
We have contacted the major airlines in the United States and plan to stage "Airmail Month" during September. As part of "Airmail Month" the following will take place:

- Special leaflets will be distributed to airline passengers.
- Colorful posters highlighting airmail will be displayed in airline terminals throughout the country.
- Special articles will be run in the airlines in-flight magazines. In addition, a promotional message will be printed on airline ticket folders.

We would also conduct an advertising campaign telling people how to get next day delivery with airmail, and demonstrating airmail's superior service features. Also, this would be done at the local level.



flyers in airplanes



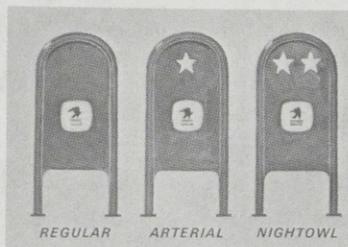
The second service in our "Serving America" program is collections. Collections can be a source of irritation and frustration to our mailing public. We need to make our collection policies more responsive to customer needs and more related to our own mail processing requirements.

We feel there is a clear need to provide better service through increased frequency of collection pick-ups and later collection pick-ups. The collection service provided our customers has declined during the past few years. Evening residential collections have been eliminated and business collections have been substantially reduced. This has resulted in strong criticism from our customers and the press.

We propose a national collection service more responsive to the needs of our customers.

This program would consist of three types of boxes. Residential, shown on left, where there would be one or two collections per day made by returning carriers and relay drivers. Arterial, for business areas and main thoroughfares with at least one collection after 5 p. m. and a 6:30 p. m. collection for busy areas. NightOwl.

COLLECTION PROGRAM



There would be a number of these special boxes, marked with two special stars (perhaps 50 in a city like Washington) where there would be an evening pick-up at 8:30 or later. These boxes would be located around the inner city, and around the suburbs and would be publicized so that people would know where their mail could be picked up in the evening.



The collection program would also involve having a readable, clear label on the box. The label would spell out the pick-up times and have a cross-reference telling people where they should take their mail if they have missed the last pick-up. Currently, the labels on most boxes are not clear, and the times on them are not up-to-date. This problem came up frequently in discussions with the public. This collection plan should make it considerably easier for our customers to use the mails.



Last week, the Postmaster General made a policy statement outlining two critical needs if we are to survive as an organization.

A need to live within our income.

A need to provide good service.

Either of these would be easy to meet if the other didn't exist. The challenge of postal management is to do both.

Significant steps are now underway to live within our income by reducing costs. The "Serving America" program we have outlined today focuses on the second half of this policy--providing good service--because there is no reason for our existence except service.

The ideas and programs we have presented today are based on our discussions with some 2,000 postal employees from across the country. We plan to concentrate on the "Serving America" program, including promoting and improving airmail and collection services. Later this year, we would implement the other key programs mentioned earlier plus some of the ideas illustrated on the bulletin boards at the back of the room.



**CONCENTRATE ON
IMPLEMENTING :**

- AIRMAIL PROGRAM
- COLLECTION PROGRAM
- "SERVING AMERICA"

We believe these efforts will help to underscore the commitment of the USPS to providing good service.



COMMITMENT

The Postal Service is at a very critical juncture. We have made more progress in the past two years than in the previous 180 years in terms of giving management the opportunity to manage.

We see the "Serving America" program as a vehicle for taking advantage of that opportunity, and making it clear that service is our business.



Mr. STEED. That is a very fine presentation. We appreciate it very much.

Now, Mr. Robison, have you any questions?

Mr. BAILAR. Are there any questions for Mr. Ellington and Mr. Dunlap regarding this presentation while they are here?

Mr. STEED. I turn the floor over to Mr. Robison. He may have some questions.

PRIORITY MAIL

Mr. ROBISON. I do not know whether this question I have in mind should go to them or to one of your own people.

With the new emphasis on air-mail service, which seems to be a renewed emphasis, would it be fair for us to assume that this service is taking the place of the consideration that was given some time back to—I have forgotten what you people called it—preferential mail, or what did you call it?

Mr. HARGROVE. Priority mail.

Mr. ROBISON. Is this a fair assumption?

Mr. HARGROVE. I think Mr. Faught would be the best to discuss that.

Mr. FAUGHT. We have continued to examine this question of the need of a top priority system versus the broad first-class service objectives. There have been no decisions in this area. We are offering, we think, a very superior service in the airmail as a result of the airmail improvement program which has now run almost a year.

At the same time, we are improving first-class service, also, on a broad basis.

There has been no specific commitment on the two-tier, or priority system.

Mr. HARGROVE. I think I might add, Mr. Robison, that if we went to a general priority system, the airmail program would be folded into and become a part of that priority system.

NEXT-DAY DELIVERY SERVICE

Mr. ROBISON. I think we always understood that, and also understood that if you went to a priority system you would be charging an extra rate for that special service.

I suppose it is six of one and half a dozen of the other, to a certain extent.

Under the airmail program that you now envision, will you be able to give priority service, if that is the right word to use here, within that 600-mile radius or smaller area?

Mr. FAUGHT. When you say "priority service"—

Mr. ROBISON. Next day.

Mr. FAUGHT. The next-day objective of the airmail program is with the mail which is collected from white top boxes, which is deposited by 4 p.m. and zip coded, for which we would be able to provide next-day service within the 600-mile range to designated cities. There are many places even within 600 miles where it is very difficult, if not impossible, to be able to collect mail at that time of day and to provide next-day delivery, since we have a period of about 15 hours in which we have possession of the mail and, in effect, to get it from collection to the carrier's possession.

Mr. ROBISON. If my office here in the Capital wanted to send a letter out to my house in Kensington, Md., would it get there the next day if they put an airmail stamp on it?

Mr. FAUGHT. We believe so, if properly deposited.

Mr. HARGROVE. In Kensington, Md.—

Mr. ROBISON. It should get there. It is only 15 miles away, but would an airmail stamp expedite it?

Mr. HARGROVE. It would get there the next day if you put an 8-cent stamp on it.

Mr. MYERS. I notice your exhibit B, from the Executive Office of the President, was mailed on February 7. Yet your "received" stamp in the office of the Postmaster General was February 9. That does not sound like 1-day delivery to me.

Mr. HARGROVE. I would have to investigate two things to answer that, Congressman. One, whether or not Mr. Weinberger really put that into the mail on February 7 when he dated the letter and, second, whether or not the Postmaster General's stamp was accurately set when he put the receiving stamp on it.

Mr. MYERS. I can only assume what I see.

AIR MAIL

Mr. ROBISON. Let us stay with airmail for a moment.

I think during the presentation—which, by the way, I liked, and I would like to congratulate those who worked on it for all they put into it—I wanted to say that the "myth," as it was called in the presentation, that airmail did not get there any faster than first-class mail, was a bit more than a myth. At least, we felt it so. We felt it was a reality. That is why people were not paying the extra couple of pennies to put an aircraft stamp on a letter, because we understood, and most of them understood, that the airmail letter went along with the first-class letter, or vice versa, actually. They both got there about the same time, unless one was going from the east coast to some post office on the west coast.

Mr. FAUGHT. There were periods of time when the difference between airmail and first-class mail narrowed, but both of them were pretty poor in service.

If you look at our current performance, that difference is wider than it has been. We are offering a premium service over a very wide distance range by airmail. It does receive priority treatment, both in processing and in transportation. There is a meaningful gap between these services and our customers are receiving improved service.

Mr. ROBISON. Statistics were shown us during the presentation relative to first-class mail delivery as opposed to airmail delivery. Will they stand up?

Mr. FAUGHT. Yes.

Mr. ROBISON. They are current and up-to-date statistics?

Mr. FAUGHT. Yes, they are.

Mr. ROBISON. I am sure they are, or you would not have presented them to us. I think what you are working on is a good approach.

It seems to me it is a better way of getting at priority mail, or of attempting to assure next-day delivery, than going the other route and folding airmail into the priority category.

Mr. FAUGHT. If I might add one point that I think is significant in this, we did define the program initially to cover up to approximately 600 miles.

We have made, as was pointed out in the information presented here, some significant extensions of that. In locations where we have reasonable airline service, we have been able to extend it up to several thousand miles. Going west, this is, of course, easier than when coming back, because you lose clock time coming back the other way. The 15 hours shrinks by the differences in time.

Of course, as part of the program we have augmented the transportation available from the scheduled airlines, which during this period has actually been decreasing at the times that we would use transportation for airmail. We have now expanded our regular air taxi and are just now procuring jet taxi.

COLLECTION SERVICE PROGRAM

Mr. ROBISON. Yesterday, I raised the charges that some other witnesses had presented to us, during the days we took public statements, about reductions in service. One of the areas complained about was collections. However, it would appear from this presentation that the Postal Service is well aware of that criticism, and of public complaints in this regard, whether founded or not, and is moving out aggressively to try to improve on the collection service by itself.

Mr. FAUGHT. Yes, that is correct. It is a fundamental part of this program.

Mr. ROBISON. I think it is an area of service that has fallen into disrepute, or has not been up to the standards that we thought there ought to be. Again, I would congratulate the service for that improvement, or at least that contemplation of improvement.

Under General Klassen's proposed stringencies, cost savings, and so forth, can you move forward with this improvement in the collection program, even under those economies?

Mr. BAILAR. Yes, sir; we feel we can. We are moving very aggressively to implement these programs. As I indicated in my brief comments before Mr. Ellington started, this is the type of program which we feel can be accomplished without getting into massive expenditures of time and money.

"SERVING AMERICA" PRESENTATION

Mr. ROBISON. There were certain "Madison Avenue," overtones to the presentation, but I suppose it is time the Post Office "got with it," along with everybody else. I do not object to that too much, either.

I think it might even be useful for you to consider taking this sort of presentation to the public, beyond the time when you have given it to your supervisors, your own employees, and so forth, to get their cooperation and their understanding of what you are trying to do in "Serving America." I can see where Rotary clubs, Kiwanis Clubs, Lions clubs, and organizations of this sort around the Nation, might welcome this kind of program and this sort of presentation.

Once you can get the local postmaster supplied with the materials and the details, he can take it right down to the grassroot level and say, "We are here to serve you. This is what we are trying to do,"

seeking out his audiences' suggestions as to what else you might do. It might be helpful.

PUBLIC ENTERPRISE AND POSTAL SERVICE FUNDS

Mr. ROBISON. Some budgetary questions, Mr. Chairman, and then I think I will be through.

There are two funds shown in the justifications. The fact of the two confused me a bit. I think maybe Mr. Hargrove could explain why there are two.

One is called the Public Enterprise Fund; and then, underneath that, the Postal Service Fund. What is the reason for two such classifications?

Mr. HARGROVE. I will defer to Mr. Doak on that, if I may. That gets into the technicalities of the Office of Management and Budget classifications. I am not familiar with that.

Mr. DOAK. We are an independent Government agency.

Mr. ROBISON. We believe that is true.

Dr. DOAK. As such, we still carry the "public enterprise" identification of funding of the Federal Government.

Mr. ROBISON. That, then, includes that portion of your overall budget that takes into consideration whatever we appropriate there, too. Would that be the distinction between that and the Postal Service Fund?

Mr. DOAK. I believe our whole operation is still within the confines of Government operations.

Mr. ROBISON. Are you telling me, then, that the Public Enterprise Fund and the Postal Service Fund are, to all intents and purposes, one thing?

Mr. DOAK. The Postal Service Fund is a specific fund for the Postal Service.

Mr. HARGROVE. Within the Public Enterprise Fund.

Mr. DOAK. Within the Public Enterprise Fund, sir.

Mr. HARGROVE. It is a subfund.

Mr. ROBISON. I am still left dangling. Why the Public Enterprise Fund?

Mr. HARGROVE. This is a classification of the Office of Management and Budget, of which the Postal Service Fund is a subclassification, as I understand it.

Mr. ROBISON. I will ask Mr. Weinberger to explain it someday.

POSTAL FISCAL YEAR VERSUS GOVERNMENT FISCAL YEAR

Within that category, on page 6 of the justifications there is an item, line No. 12, which says, "Conversion of Postal fiscal year to Government fiscal year," and it shows a 1973 estimate of \$32,280,000. What is this?

Mr. BAILAR. Our fiscal year is divided into thirteen 4-week accounting periods. At the end of those 13 periods, we have a few odd days to take us to the end of June. We call that the Accounting Period 14. It is just the number of days needed to complete the Government year. In 1973 it represents 1 day.

Mr. ROBISON. That is the 1 day?

Mr. BAILAR. It can be 2 days in a leap year.

Mr. ROBISON. But your actual fiscal year is the same as the Federal fiscal year?

Mr. BAILAR. Yes, sir.

REVENUE FROM THE SALE OF ASSETS

Mr. ROBISON. I do not see it on this page, but I made a note yesterday that, somewhere, your revenues are shown as including \$22.8 million from the sale of assets at book value. Could somebody tell me what is the source of these moneys? I think that appears on page J-14.

Mr. HARGROVE. This is from a revolving site fund. Under the previous authorization, we had an authorization of about \$20 million which we could invest in future sites and then sell them to contractors for them to build facilities for us. When that money came back in, there was a reimbursement of that particular fund.

We are no longer selling these for the purpose of having people build us facilities to lease, except in some instances. We have substantially reduced the leasing program, but we still do have some of this sale and lease-back.

Mr. ROBISON. When we passed the Postal Reform Act, we in effect turned over to the Postal Service Corporation all of the assets of the old Department, did we not?

Mr. HARGROVE. Yes.

Mr. ROBISON. We gave you title thereto, lock, stock, and barrel. What does the Corporation do when it has a surplus post office? Do you sell it? What happens to the proceeds?

Mr. HARGROVE. That can be sold and the proceeds then go into the Postal Service Fund. We would earmark them for future capital improvements, in all likelihood.

Mr. ROBISON. In other words, that would become part of your capitalization revolving fund, if you have such a thing?

Mr. HARGROVE. Yes, sir.

Mr. ROBISON. Even though the taxpayers some years back provided the money to build that particular post office?

Mr. HARGROVE. We are still owned by the taxpayers, Congressman. So, we do not think there is much difference whether they own it in this particular independent establishment or in the previous arrangement.

Mr. MYERS. Do you follow the procedures that other agencies of the Federal Government have to follow in offering that surplus property to other agencies within the Federal Government?

Mr. HARGROVE. We offer it to GSA under an agreement worked out with GSA where they can then make use of it for the Government, if there is a Government use for it.

Mr. MYERS. Every surplus property is offered to GSA before it is sold on the open market?

Mr. HARGROVE. Yes, I think it is.

Mr. FAUGHT. I think there is a minimum of 30 days involved in which GSA would be able to consider this. There is an agreement between the two agencies, which in effect describes the procedure.

Mr. MYERS. How are values established?

Mr. HARGROVE. This is a fair market value, which has to be determined in some instances by appraisals.

Mr. MYERS. What appraisal system is used?

Mr. HARGROVE. If GSA does not have an in-house appraisal that we would find acceptable as the fair market value, we would get outside appraisals made, and we would agree on those outside appraisals.

The Office of Management and Budget also has a function in approving transfers of property under certain circumstances.

NET INCOME OR LOSS FOR YEAR

Mr. ROBISON. Mr. Hargrove, look at page 3 of part I, line 18, "Revenue and expenses (cost basis)," and explain this for me as best you can. I hope I will understand your explanation.

I am interested particularly in the item shown on line 23 which is entitled, "Net income or loss for year," and for 1973 this shows \$94,270,000 as the estimate. Could this be called—then I would like your explanation of the whole part here, if you can—could this item be called your contingency fund?

Mr. HARGROVE. We have provided this net income as a contingency; yes. I think it can be considered the contingency provision provided for in the Postal Reorganization Act.

It amounts, of course, to less than 1 percent of the total revenues, including appropriations. I would not normally think this was a sufficient contingency provision.

Mr. ROBISON. Last year, you had an identifiable contingency fund as such. I have forgotten the amount, but it was about 5 percent.

Mr. HARGROVE. It was 5 percent of accrued expenses or \$476 million, as I recall. We particularly, I think, needed an adequate contingency provision at that time, because we were in negotiations with the labor unions.

During the course of this fiscal year, we have absorbed that entire contingency and are estimating a deficit which is the result of the agreements made with the unions, and the fact that we did not subsequently increase our proposed rate adjustments.

Mr. ROBISON. Is that the deficit shown on this page of \$188,770,000 for the estimate for 1972?

Mr. HARGROVE. That is the estimate here. Of course, this estimate was made some months ago. It has varied since that time as events have occurred. We have estimated it higher than that. At times we have estimated it lower than that.

I would imagine that taking into account the results through the 11th accounting period, this deficit is probably not too far off from what we will actually incur.

NET INCOME IN 1973

Mr. ROBISON. The profit, if that is what it can be called, of \$94,270,000 which is your 1973 estimate, as shown on this page, is now a very "iffy" thing, is it not, in light of the fact that the budget that produces this figure is based around the thought that there was to be another rate increase, and that is now left up in the air?

Mr. HARGROVE. You will recall, from the Postmaster General's comments yesterday, his assumption that he will be able to avoid the rate increase of \$450 million is based upon the hope that he will be

able to reduce costs by that amount. So, if that much revenue is cut out but also that much cost is cut out, the \$94 million net figure would remain unchanged.

Mr. ROBISON. It is fair to say, understanding our own responsibility here, too, that these hopes are equally based on the anticipation that Congress will give at least all that has been asked for in the way of appropriations by OMB?

Mr. HARGROVE. That is certainly correct, sir. If there is a failure below those, I would think the hopes for forestalling a rate increase would be very severely damaged.

POSTAL SERVICE FUND MAKEUP

Mr. ROBISON. Looking at your budget items, there are three, as Mr. Bailar presented them to us.

The first item is for public service costs, and that is \$920 million, which we are told is a sum equal to 10 percent of the sum appropriated to the former Post Office Department in fiscal year 1971.

As a backup for that item, Mr. Bailar, you presented to us exhibit A for insertion in our record, which is a detailed statement, which you call a compliance statement, of the basis for the public service fund.

Mr. BAILAR. Yes, sir. The Postal Reorganization Act requires that a statement of the nature shown in exhibit A be submitted to the Congress annually.

Mr. ROBISON. And this is it?

Mr. BAILAR. Yes, sir.

Mr. ROBISON. I do not want to belabor the point that I brought up yesterday, but when Mr. May was here, he told us, again I say, that Congress was aware at the time we passed the Postal Reform Act that the particular service involved in the so-called public service area which related to the maintenance of small post offices and rural services were approximately only \$300 million, and that we were supposedly aware of the fact that the old Department supported many other services beyond this area which I suppose were part of the justification for arriving at that suggested 10 percent of the fiscal 1971 budget for the old Department as the estimate of public service costs.

I was a little disappointed in what Mr. Klassen's reply on this point yesterday. Can you give us a little more? Have you some information on that?

Mr. BAILAR. The Post Office Department operated under appropriations in which the subsidy was divided into five categories. One of those categories specifically provided for a portion of the costs in third- and fourth-class post offices and star and rural routes.

The amount of such costs was substantially lower than the Public Service appropriation which is authorized under the Postal Reorganization Act.

However, that Post Office appropriation calculation may not have done justice to the full range of public service of the Post Office. We are initiating some work which involves a very long-range program.

Frankly, I do not know at this point how reliable the results will be. We are going to try to define the nature of the public services which the Postal Service provides which private enterprise would perhaps choose not to provide, and to try to quantify what that costs us.

I would caution, in the anticipation of this, that I am not sure we can provide figures that we will find reliable enough to want to use.

However, it may shed some light on the amount of public service costs of the Postal Service.

Mr. HARGROVE. May I amplify Mr. Bailar's comments, please.

Mr. May has a great deal on his side in the comments that apparently he made in earlier testimony before this subcommittee. Last year I was asked what the public service costs would have been, calculated under the old criteria under the Postal Policy Acts of 1958 and 1962, excluding the revenue foregone portions thereof.

The answer on that came out to about \$300 million, which is the answer I gave.

There are two things that I think ought to be said about that.

In the first place, under the old law, only a percentage of the costs of the third- and fourth-class post offices were included in that. If we had taken, instead of the 10 percent or the 20 percent that is provided under the old law, 100 percent of the cost of the third- and fourth-class post offices and the rural routes, we would have come up to an amount in the range of the \$920 million.

I would like first to point out that full public service costs would have been in excess of the \$300 million that was calculated in accordance with the formula in the previous law.

The second point I would like to make is that, in my opinion, Mr. May is correct that Congress had in mind a much broader concept of public service than we would get by just considering third- and fourth-class post offices. The law, in the first place, says that these costs are to be taken into consideration as related to the public services in rural areas as elsewhere. So, there is an implication that not only the rural areas but the urban areas public service operations of the Post Office are to be included.

It is also true that to some measure this was contemplated by Congress, as I understood their actions, to be a general public service subsidy, not necessarily related to the costs of providing service, simply to prevent the imposition of rates at a higher level than would otherwise be necessary.

This is borne out, I think, by the fact that the Public Service appropriation reduces in the future. If it had been really the intent of Congress to reimburse us simply for costs, they would have had to provide for increasing amounts, because costs would increase in the future.

But the intent of Congress, I think, was to provide a transitional aid to the Post Office to relieve the ratepayers, during this period of time, and over a period of time to phase this down at least 50 percent, and conceivably out completely.

Mr. ROBISON. By 1984?

Mr. HARGROVE. By 1984; yes, sir.

Mr. ROBISON. Your explanation is helpful. It has been bothering me a bit, because I assume that under the language of the act we have discretion over whether or not we should appropriate the full 10 percent. I guess you agree. It is an authorization of up to 10 percent of the fiscal 1971 budget.

Mr. HARGROVE. That is correct, sir.

Mr. ROBISON. What I was trying to get here was as much justification for our appropriation of the full amount requested as I could.

I will go back over what we had last year and what Mr. May mentions. Maybe we will end up as you suggest, Mr. Hargrove, in considering what was the actual intent of Congress in this regard. We have to weigh that factor, too.

POSTAL SERVICE COMPLIANCE STATEMENT

Mr. CRAIG. May I add one thing here.

The provision on appropriations, section 2401(b), it calls for the submission, simultaneously with the appropriations request, of a comprehensive statement of compliance with section 101(b).

I do not think we should confuse the statement of compliance with a justification for the 10-percent subsidy. This is a statement of compliance. It is in partial justification, but there would certainly be the other factors, to which Mr. Hargrove has alluded, that would also serve to justify it.

Mr. ROBISON. That is a very good point. I am glad you made it, because this is called a compliance statement. It relates to how you have complied with the requirement of the act that you provide a maximum degree of effective and regular service to rural areas, rural communities, and small towns, where post offices are not self-sustaining. That is your point.

Mr. CRAIG. That is correct.

Mr. HARGROVE. Could I make a practical point in this connection, too.

This relates to your question a few minutes ago. That is, to the extent that we do not get the full \$920 million appropriation, whether we call it public service or anything else, we have only recourse to the mail users in the form of increased rates, because the intention of Congress, as I understood it, was to provide this to relieve us of the necessity of increasing rates.

Mr. ROBISON. As a cushion of sorts.

Mr. HARGROVE. Yes.

Mr. ROBISON. But I do think it would be helpful for the service to carry on with an examination, within its own house, of the public services you are providing in the broader context than those relating to the compliance statement.

Mr. BAILAR. We intend to do that, yes, sir.

CLOSING OF SMALLER POST OFFICES

Mr. ROBISON. When you can.

Relative to the closing of these smaller post offices in the rural areas, the so-called not self-sustaining post offices, can you give us some specific information—it may be here in the justification book—as to how many have been closed during the fiscal year or will be closed?

Mr. BAILAR. Mr. Robison, the 1972 estimate would indicate a net reduction of eight, from 6,838 at the end of 1971 to 6,830 at the end of 1972.

I do not believe we have the number that have been closed less the number that have been opened, but the net reduction is eight.

Mr. ROBISON. You might provide for the record a netting of those figures, the numbers closed and the numbers opened, to give us some overview of what the situation is.

Mr. BAILAR. We will be happy to do that.
(The information follows:)

Fourth-class offices 1972 estimate

Increase due to change of status-----	132
Offices closed-----	140
Offices opened-----	-----
Net decrease-----	8

These are preliminary estimates. Changes in the status of post offices will not be finalized until the end of the year.

Mr. ROBISON. I do not believe it needs to be highlighted for the record, since it will appear as a part of the record in exhibit A, but, in giving us that information, you might summarize again briefly the criteria you now have for the closing and conversion of post offices.

Mr. BAILAR. Yes, sir.

Mr. ROBISON. I say closing and conversion, both.
(The information follows:)

CLOSING AND CONVERSION OF POST OFFICES

On March 5, 1971, we issued criteria for the discontinuance or conversion of post offices. The discontinuance of a post office will be considered when there is a vacancy in the postmaster position and when one or more of the following conditions exists:

No suitable person can be found in the community to permanently take charge of the post office.

No suitable quarters can be found in the community for housing the post office.

Fewer than 25 families are being served by the post office.

The community has been abandoned. (The requirement that there be a vacancy in the position of postmaster does not apply in these cases.)

Another post office or a classified station or branch is located within a reasonable distance of the post office to be discontinued (normally, 3 to 5 miles except in sparsely settled areas such as Alaska, etc.) which is easily accessible to the customers affected, and will provide service equal to, or better than, the services presently being received.

The conversion of a post office to a station or branch of another post office will be considered when a vacancy exists in the postmaster position or when the postmaster is eligible for an immediate retirement annuity or is eligible for reassignment to another postal service position for which he is qualified, and when one or more of the following conditions exists:

Two or more independent post offices are located within the corporate limits of an incorporated city or town.

The communities served by two or more independent post offices are being merged in order to become an incorporated city or town.

A majority of the customers have requested a change in the status of the post office, either to obtain a change in mailing address or to obtain rural or city delivery service.

The post office to be converted to a classified station or branch is located less than 20 miles from the corporate limits of the office with which it is to be merged, and the alternate service to be provided will be equal to, or better than, service presently being received. (The 20-mile limitation will not apply in cases where the post office is being converted to a contract rural branch.)

The conversion is necessary in order to establish or extend city delivery service or rural delivery service from another post office.

Recommendations from regional directors for discontinuing or otherwise changing the status of independent post offices are submitted to Headquarters for approval or disapproval. Such recommendations must include the reasons for the proposed change, the alternative service to be provided, a comparison of costs involved in the proposed action, the reaction of the communities affected, and the proposed placement of any employees, including the postmaster, who may be displaced by the action.

In acting on the recommendation, headquarters will approve the closing of no small post office solely for operating at a deficit. If a post office is closed, the replacement service will be as good as or superior to the discontinued service.

CLOSING OF FIRST- AND SECOND-CLASS POST OFFICES

Mr. ROBISON. Late last year we heard from our friend and colleague, the Honorable J. J. Pickle, of Texas, who said he was disturbed to learn that a post office task force was considering the possibility of closing not only some third- and fourth-class post offices, but also many first- and second-class post offices as well, and he went on to say this should not happen, and he hoped the Congress would be alerted to such a task force within the service.

I would assume that, now and then, first- and second-class post offices might be closed for logistical reasons, if for no other reason. What is the status of this?

Mr. BAILAR. Your assumption may be correct. However, I am not aware of the task force to which you refer.

Mr. FAUGHT. I am not aware of it, either. The only place that I would think that there would be offices of that class involved would be where a city has expanded and the consideration would be conversion into branches.

The other point of some confusion in the past relative to this, which may be the source of the concern, has been in our area mail processing programs in which we move the mail processing to a central point where we can more efficiently process it and provide in those cases improved service. It has been interpreted that the remaining operation is to be closed, which is not the case at all. The full range of customer services is operating in all of those areas. It is merely a matter of moving the processing itself to a central location.

I know there have been some comments in the past that the program closes post offices. That is not the case at all.

REVENUE FORGONE

Mr. ROBISON. I thank you for the explanation.

The second item of your budget request is that involving revenue forgone. We understand the problem here. We understand your budgetary differences with the Office of Management and Budget, and you understand our dilemma.

Again, I would join with the chairman in expressing the hope that the Rate Commission will resolve the dilemma for us. At least, it could be helpful in doing so, in part.

TRANSITIONAL COSTS

The third item refers to transitional costs. This involves what? Two items?

Mr. BAILAR. Yes, sir. At the time the Postal Service was established, it was our estimate that we had a liability of \$373 million to our employees for annual leave which they had earned during the time they were working for the Post Office Department, and which would be taken while they were on the rolls of the Postal Service.

We decided to fund this liability over the course of 12 years, representing an annual cost of \$31 million, which is the principal item included in the transitional cost.

The remaining \$1,539,000 covers nonfunded liability in the workmen's compensation fund.

Mr. ROBISON. Does that last item go back to an unfunded liability that was handed over to you by the old Department?

Mr. BAILAR. Yes, sir.

Mr. ROBISON. And that has not been increased by virtue of the employee agreement of last year?

Mr. HARGROVE. That is correct. This year's item is really an adjustment of the appropriation which this subcommittee approved last year. We have accurate numbers on it now. The previous year was an estimate of what that liability was going to be.

Mr. BAILAR. The subsequent workmen's compensation costs are being paid by the Postal Service on a current basis.

POSTAL RATE INCREASE

Mr. ROBISON. Our control over your budget is rather limited, and perhaps that is the way it ought to be, but I understand, from the Postal Reform Act, that mail users who wish to intervene in rate cases may challenge not only the size of the rate increase requested by the Postal Service, but also the Service's need for the additional income on which those rates are based in the first place. Is that true?

Mr. HARGROVE. This is one of the issues as to which the Postal Service and various interveners have opposite viewpoints. We have submitted these so-called jurisdictional issues to the Postal Rate Commission, and I would presume that the recommended decision that we are awaiting momentarily will deal with these jurisdictional issues.

Mr. ROBISON. Did some of the interveners, without getting you into the specifics of the still pending case, raise questions relative to the Postal Service's budget?

Mr. HARGROVE. Yes. The Rate Commission did permit evidence to be adduced on both sides of this question as to the need for our money, reserving, however, the jurisdictional question of whether the Postal Rate Commission had any authority with respect to it.

Mr. ROBISON. There was a public defender, or there were two or three people who acted as so-called public defenders, in the rate cases? It is my understanding they also took a whack at the Service's budget.

Mr. HARGROVE. Yes, that is true.

Mr. ROBISON. Mr. Chairman, I think I have no other questions.

Mr. STEED. Mr. Roybal?

"SERVING AMERICA" PRESENTATION

Mr. ROYBAL. Mr. Chairman, I would like to ask some questions with regard to the excellent presentation that was made. I agree that this program should be carried out into the communities. The presentation, however, should not only be made to members of the Postal Service, but to the general public as well.

It is quite evident judging from the presentation that postal officials are aware of the fact that there is a great deal of criticism on the part

of the general public with regard to the discourteous treatment they get in post offices throughout the United States.

It is also quite evident that you are looking into ways and means of changing this pattern.

COST OF REDECORATING POST OFFICES

I would be interested in knowing how much it is actually going to cost, to redecorate the various post offices throughout the country. I know of many that should be redecorated and I am sure it will cost some money.

If you do not have this information now, I would appreciate your providing it for the record.

Mr. ELLINGTON. We do not have that precise information now because we are in the process of surveying which lobbies meet the criteria.

We have given them, in effect, eligibility standards for treatment. We do not have that information yet.

We have provided local management a questionnaire as a basis for estimating costs for lobby renovations. These will provide us our final cost estimates. We are expecting to finance these costs within our existing maintenance and services budget.

TRAINING OF PERSONNEL

Mr. ROYBAL. I would also be interested in knowing how much it will cost for training of personnel.

Mr. BAILAR. We will provide that for the record.

(The information follows:)

Training costs related to the "Serving America" program are estimated at \$1.8 million, the bulk of which is derived from a compilation of the approximate average cost of personnel undergoing training. The balance is for limited travel expense in connection with training.

COST OF UNIFORMS

Mr. ROYBAL. Then there is also the item of uniforms. I would be interested in knowing how much they will cost, and the method to be used in their distribution. Who will get the uniforms in the post office—all postal employees, or just those who meet the public? In other words, who will wear these uniforms.

Mr. ELLINGTON. I can give you a partial answer as to that.

We are initially considering the people who are defined now a window clerks. For example, even though carriers do meet the public, the initial thrust of what we are planning is with the window clerks.

These people do currently have a uniform allowance. Presently it is \$56 a year for refurbishing uniforms. We are examining it right now, and we will have to insert for the record at a subsequent date the amounts of the startup cost to completely renew the uniform for the window clerks, after which they would be maintained out of existing uniform allowances.

There are some bargaining issues involved here, which is why it is

a little more complicated. The balance, then, is under study as to how then we would implement this with people like carirers, and even the extent to which this apparel gets to people like mail handlers, and so forth.

Mr. ROYBAL. But this committee would get further information?

Mr. ELLINGTON. Yes. We are studying it right now.

(The information follows:)

The uniforms described in the "Serving America" program are designed for window clerks. If implemented it is intended that these uniforms would be bought and paid for from the clerks' uniform allowance under the basic provisions of the national agreement. The subject of the proposed new uniforms is expected to be part of the management agenda for a uniform committee meeting early in June.

Clerk's uniforms, as in the case of most postal uniforms and employee gear, are purchased by the employee from Postal Service approved list of dealers. Payment is made to the dealer by the Postal Service after submission of bills by the employee to his supervisor.

CUSTOMER REPRESENTATIVES

Mr. ROYBAL. It seems to me that the best customer representatives are the window clerks, as you call them, and the man who delivers the mail to the home.

Mr. BAILAR. Yes, sir.

Mr. ROYBAL. When you made the presentation, you were talking about customer representatives. Are these new positions that are being established, or who is a customer representative?

Mr. DUNLAP. The presentation called for the changing of the name "window clerk" to "customer representative," to make him more customer-oriented.

Mr. ROYBAL. That was not clear to me. This is why I said the window clerk is the customer representative, and should be designated as such in the United States.

Mr. ELLINGTON. That is the intent. I am sorry if it was not clear, but that is the intent.

Mr. ROYBAL. It was also not clear to me whether your customer representative would act in the same capacity as an airline customer representative who among his duties, directs patrons to certain airlines and tries to be helpful in other ways.

One thing I would like to see, and perhaps you are even thinking about it, is the creating of a senior customer representative position whose duties would include visiting various community organizations—such as schools or clubs for the purpose of making the kind of presentation that was made here this morning.

Mr. BAILAR. We have a very small staff of people acting in that capacity now. I think your comments a few moments ago probably stem from a concern that we not establish a lot of new positions and let our expenses get out of hand.

As you know, the Postmaster General has inaugurated a program which involves stringent cost reductions. At the same time, we have a very great need to stay in contact with our major customers and to understand their needs better than the Postal Service has in the past, so we can remain competitive.

MAJOR MAILER CUSTOMER REPRESENTATIVES

Mr. BAILAR. I think if we might take a minute or two, I will ask one of my associates from the customer services group to talk about these major mailer customer representatives.

Mr. BAKER. We have a national accounts organization set up at headquarters to deal with the major mailers, to work out programs to enter their mail into our system more efficiently.

At the region, district, sectional center, and post office level, we have salesmen who contact regularly the major mailers served in that locality, to encourage them to prepare their mail for easier and more convenient entry into our system, for us on occasion to pick up the mail at the mailer's plant with our equipment and our people.

These are on regular calls now, just like the salesman does in the private sector.

MAILER'S TECHNICAL ADVISORY COMMITTEE

At headquarters we have an organization called Mailer's Technical Advisory Committee, which is comprised of about 40 representatives of the leading industries that use the mail service. They visit with headquarters people on mail processing, mail classification, and customer services department about every 6 weeks. It is a technical discussion whereby we have an opportunity to expose these representatives of large mailing organizations to our proposals while they are in the planning stage and get the benefit of their thoughts about what the impact would be of the proposed program or change in our operations before we take it.

This is proving to be a very salutary relationship.

LOCAL POSTAL CUSTOMER COUNCILS

The Postal Service also has over 800 Postal Customer Councils in the local communities around the United States in which the local postmaster and the local business leaders meet on a regular basis to exchange views as to how local postal operations can be improved for local business customers.

Mr. ROYBAL. How is that carried down to the rank and file in a community of 50,000 to 60,000 people?

Mr. BAKER. How, sir, is what carried down?

Mr. ROYBAL. How will this process of informing and coordinating your activities with business leaders benefit the average household? You talk about exchanging views with the businessman, but what about the housewife, for example? How is she informed of some of the things that you are doing?

Mr. BAKER. As of now, she is not informed. We are inaugurating in the upcoming fiscal year a program of regular market research with the housewives, the householders, whereby every quarter we will send a representative sample of housewives or householders in the community a mail questionnaire asking them to comment on the quality of the service that they are getting from the Postal Service.

We are also going to do this for people who come in to use our lobbies and our window services, and find out what their perception is of the courtesy of our window clerks and the quality of the service

they get in our lobbies. We will have an ongoing service measurement program to get at the point you are making.

Mr. ROYBAL. I would like to see the head customer representative at many of these post offices assigned to do community work, also. Perhaps you could create a special position whose duties are to contact the public various community organizations, the schools, and especially our young people who will eventually become leaders in our Government and society.

Mr. BAKER. In principle, we agree with you, Congressman. We are not only encouraging these customer representatives to do it, but encouraging the local postmaster to have a community affairs portfolio that he must maintain.

As Mr. Bailar said earlier, we have to be judicious in the application of this, because our primary job is to move that mail efficiently. We cannot get our eye off that objective.

Mr. ROYBAL. I understand. You have two jobs. One is to move the mail, of course. The other is to apply certain rules of courtesy.

Mr. BAKER. Good community relations.

SUMMER YOUTH PROGRAM

Mr. ROYBAL. That would include good community relations. These are the things that sometimes worry me when a post office is not really getting down to the community level.

One other question with regard to your work on the community level. What is happening to the summer youth program of the Post Office? I think this was perhaps one of the best selling vehicles the Post Office had in the community. What is the status at the present time?

Mr. CRAIG. I think that was discussed yesterday by the Postmaster General. I believe his answer was that, except to the extent that we need summer replacements for actually moving the mail, it is not contemplated that we will be in that program this year.

Mr. ROYBAL. In other words, you are discontinuing, in my opinion, the best selling vehicle you had in the community, but apparently that is not the opinion of the Postmaster General.

Nevertheless, I still feel that not only do disadvantaged youth benefit greatly by summer employment in the Post Office, but, in return, the Post Office benefits greatly by the number of salesmen they create during those 10 weeks of service. I don't think you can get a better salesman anyplace else, at least from what I have heard. These young individuals who have served in the Post Office, have on many occasions in school and elsewhere defended the Post Office, based on their summer experience.

If you go to a community meeting and see how some of these young people defend the work of the Post Office, I am sure you will be convinced that this program is well worth the money spent.

I have seen this in my own district on two or three occasions, and this is why I feel that this program should definitely be continued, not only by the Post Office but by Government as a whole.

I am sorry to hear that it is not being continued by the Post Office.

Mr. HARGROVE. Congressman, I do not think you should interpret the Postmaster General's action as meaning that he has opposition

to the program in principle or that it will not be revived in future years. This year it has fallen victim to the very stringent economy measures that he is taking in order to try to avoid rate increases.

Mr. ROYBAL. I am from Missouri, and once you discontinue something, it is going to be more difficult to reinstall it. You have indicated that the program was discontinued as a matter of economy. We will get tighter and tighter with our budget, and it will be harder and harder to do the jobs that I think are important.

I do not anticipate that next year you will come in and say, "We are going to have a summer program for youth." No, sir, I do not. I do not think any member of this committee does. You will be watching very closely your programs and your budget.

I do not think you are about to increase it, once you discontinue it. One more question, which is my usual question, Mr. Chairman.

SPANISH-SURNAME EMPLOYEES

Mr. ROYBAL. I would like to have supplied for the record the ethnic composition of the Post Office employees. I would particularly be interested in any progress that has been made with regard to Spanish-surname employees in the Federal Government.

Mr. BAILAR. We will be happy to supply that.
(The information follows:)

ETHNIC COMPOSITION OF POST OFFICE EMPLOYEES

	Total	Negro	Spanish	Indian	Oriental	None
November 1970: Total.....	716,751	139,353	19,063	1,273	4,250	552,812
November 1971: Total.....	697,830	130,785	18,186	1,224	3,964	543,671
Difference.....	-18,921	-8,568	-877	-49	-286	-9,141

Mr. ROYBAL. Thank you, Mr. Chairman.

Mr. STEED. Mr. Myers?

COST CONTROL IN LARGER OFFICES

Mr. MYERS. Thank you, Mr. Chairman.

If I understood General Klassen correctly yesterday, he said while there would be some consideration given to improving service in the entire Postal Service in the next year, the primary emphasis would be in the larger post offices, because that is where most of the mail was handled.

Mr. BAILAR. No, sir; I do not believe that was the impression he intended to leave. His concern is that the vast majority of the Postal Service's costs are concentrated in a few large post offices.

The nature of the activity in those post offices makes them the most promising areas for improvements.

These two factors in juxtaposition bring about a program where the cost control efforts and the productivity efforts will be concentrated in those post offices.

The service improvement efforts are throughout the Postal Service, all classes of post offices.

Mr. MYERS. I think you have said what I just said. Maybe we said it in a different way.

In reviewing the program by activities, especially the operating costs, service in small post offices is \$3.624 billion, and then the three categories in the 176 larger offices add up to \$3.918 billion. It looks to me as if there is almost as big a problem in the small areas as far as costs, as in the fewer larger post offices. Am I mistaken about my addition here?

Mr. BAILAR. No, sir. Your point is quite valid.

The Postmaster General's comments grew out of the fact that the large offices number less than 200, while the small offices are in excess of 30,000.

He has made the point a number of times within the Postal Service that he has no intention of ignoring the opportunities that lie ahead of us in the smaller offices, but he feels, that the major benefits can be made quickest if we concentrate on the big offices first.

POSTAL SERVICE FUND REQUEST

Mr. MYERS. Your request this year is for \$1,640,400,000, which is about 14 percent-plus of your total budget. Last year it was just 13 percent-plus. You are losing ground. We are not heading toward that cutoff date in the future where you will not be looking to this committee for funds. You are really losing ground this year, are you not?

Mr. HARGROVE. If you take the amount we requested last year, sir, it was a somewhat higher percentage than we requested this year. The amount that we got was a lower percent.

Mr. BAILAR. The amount we requested last year was \$230 million in excess of the amount actually appropriated, which would suggest a 1972 request of \$1,647 million.

Mr. MYERS. Which gets back to about the 14 percent again.

Mr. BAILAR. Yes. The appropriation request this year is very similar to last year's.

POSTAL FISCAL YEAR VERSUS GOVERNMENT FISCAL YEAR

Mr. MYERS. You have an item here, "Conversion of Postal Fiscal Year to Government Fiscal Year," of \$32,280,000. What is that?

Mr. BAILAR. The Postal fiscal year is divided into 13 4-week periods. In order to close our fiscal year at the same date as the Government fiscal year, we frequently have a few days after the completion of our 13th accounting period to June 30.

UNCOMMITTED BALANCE OF BORROWING AUTHORITY

Mr. MYERS. You have an item, "Unobligated balances of authority to spend agency debt receipts." What is that?

Mr. BAILAR. I will ask Mr. Doak to reply to that question.

Can you give us the page number, Congressman?

Mr. MYERS. It is page 117 in the committee print.

Mr. DOAK. I believe that is the program financing statement of the President's budget.

Mr. MYERS. That would be the same as the undrawn borrowing authorization?

Mr. HARGROVE. What is the amount you quoted?

Mr. MYERS. The authority to spend agency debt receipts for 1973, estimate, is \$8,358 million.

Mr. HARGROVE. The same figure appears on page 3 of part I of the budget which we have submitted.

Mr. MYERS. But what is it?

Mr. HARGROVE. It is the difference between the \$10 billion borrowing authority that is in the Postal Reorganization Act, less commitments against that borrowing authority for fiscal years 1972 and 1973 which total \$1,641,522.

Mr. MYERS. Then this fiscal year you expect to borrow \$250 million, is that not correct?

Mr. HARGROVE. We have already borrowed \$250 million, sir.

Mr. MYERS. It will remain at that figure?

Mr. HARGROVE. Yes.

Mr. MYERS. Then the difference between the authority to spend and \$10 billion is how much money the Postal Service lost this year in operation?

Mr. HARGROVE. No, sir. The difference between our borrowing authority and the uncommitted portion is the \$10 billion plus the carry-over minus the amount of capital commitments that is applied against that authority during fiscal year 1972 and fiscal year 1973. It has no relationship, in effect, to the operation.

Mr. ROBISON. But not for operating expenses?

Mr. HARGROVE. That is right. Moreover, this figure relates to our borrowing authority, not to the amount actually borrowed against that authority. The borrowing authority is \$10 billion.

Mr. MYERS. It looks like then you have committed about \$330 million.

Mr. HARGROVE. We have committed in fiscal years 1972 and 1973 under the estimates presented in this budget \$1,641,522,000. That is the sum of the 2-year commitment and it is the difference between \$10,000,000,000 as shown in the 1972 actual column on page 3 and the \$8,358,478,000 shown in the 1973 remaining uncommitted.

Mr. MYERS. I was not including 1973. Up until 1972—well, maybe someday I will get it in my head. I will not spend any more time with it. I don't see it. That isn't the first time I haven't understood budgets here.

I am just an old country banker and I don't understand these high-fallutin' budgets you people come up with.

Mr. HARGROVE. I have been taken by more country bankers in my experience.

REQUEST FOR PHASING IN THIRD-CLASS RATE INCREASE

Mr. MYERS. Country bankers get taken sometimes too.

Going back to your exhibit B from Mr. Weinberger, at OMB, which, from appearances, took a second day to deliver about four blocks, you are asking for the \$216,400,000, but what assurance do you have that OMB would release those funds even if this committee and the Congress should approve them?

Mr. HARGROVE. The OMB has no control over those funds. If the Congress appropriates them to us, we spend them regardless of any control on the part of OMB.

Mr. MYERS. You get them direct without OMB having anything to say about it?

Mr. HARGROVE. That is right.

Mr. MYERS. There are number of programs Treasury has no control over whatsoever and the Congress can go ahead and spend the money.

I certainly support your priorities. I just hope that you and we can survive the period until the time you get it accomplished.

I know it isn't easy for you. I know we get a lot of criticism because of your transition into a better Postal Service. People still don't understand that Congress doesn't have anything to say about this system. I know my folks back in Indiana are constantly writing me "You'd better get something done about that."

I feel that my hands are tied and I am going overboard and it is sink or swim. Not only you are being criticized, but we certainly are too. I do support the priorities you are establishing this morning. I think you are on the right path. I just hope you get it done soon.

Mr. HARGROVE. Thank you, sir.

May I add one postscript to how long it took to deliver Mr. Weinberger's letter? I am convinced this was delivered by White House messenger rather than through the U.S. Mail.

BORROWING AUTHORITY AND LIMITATION

Mr. STEED. Mr. Bevill.

Mr. BEVILL. With reference to the Postal Reorganization Act provision there about this \$10 billion bond authorization, the \$2 billion per year, I notice you state there will be an obligation of \$1½ billion dollars as of June 30, 1972. Does that mean \$½ billion of the bonds have been sold?

Mr. BAILAR. No, sir; Mr. Congressman. I am afraid you have picked up an error in our budget. The sentence at the bottom of page 14, part 1, should have read, "As of June 30, 1973." At this point we have a general debt pattern anticipated which would suggest the sale of an additional \$250 million during fiscal year 1973 above that which is already outstanding, to bring us to \$500 million. We have not made any specific decision on whether or not that issue will be sold in 1973.

Mr. BEVILL. Then of the \$10 billion, if I understand you correctly, there would be \$9.5 billion still authorized and unused as of July 1, 1973?

Mr. BAILAR. As of July 1, 1973, yes; that is correct. As of July 1, 1972, there will be \$9.750 billion unused.

POSTAL EQUIPMENT

Mr. BEVILL. Personally I felt when we passed this legislation that the \$10-billion-bond issue really was the best part of it, to get equipment to help you take care of this increase in workload that is obviously increasing every year and which obviously had to have something done about it. I am curious to know, is there much being done about getting the equipment into the post offices and using these funds for that purpose?

Mr. BAILAR. Yes, Mr. Congressman, there is. The bulk-mail program on which we have embarked and which we expect to be completed in 1975 is going to cost about \$1 billion.

There is a preferential mail program in the conceptual stage which will cost, as presently anticipated, nearly \$4 billion. I think, to answer a suggested question in your remark as to why we are not making more use of our borrowing authority at this time, our current status stems largely from the fact that these programs take a while to gear up and once a decision is made and we embark on a program it takes a while to spend the money. We anticipate the need for a substantial part of this authority in years to come.

USE OF BORROWED FUNDS FOR OPERATING EXPENSES

Mr. BEVILL. It mentions there that you are limited also, I believe, to \$1½ billion for operating expenses in this bond issue.

Mr. BAILAR. If it is necessary to borrow the money to cover operating losses we can use \$1½ billion for that purpose, yes, sir.

Mr. BEVILL. You haven't used any for that purpose at this point?

Mr. BAILAR. No, sir.

Mr. HARGROVE. That is \$1½ billion per year.

Mr. BEVILL. One-half billion dollars of the \$2 billion for operating expenses.

I certainly commend you for your fine presentation. I think you are making a lot of progress and you have had a difficult task and are doing a good job. I do hope we can get this equipment in these post offices and get a little better service. Of course, all I ever hear is complaints. That is true of any agency. The Social Security Administration and all of them.

Nobody comes in and says, "You know, that agency is doing such a good job." I realize that. We do still hear a good many complaints about the mail service.

Mr. BAILAR. We hope the programs which we have under way will bring about a major reduction in the number of complaints over the future years.

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

STANDARDIZATION OF MAIL SIZE AND SHAPE

Mr. STEED. Thank you.

Some reference was made earlier about some studies you are engaged in which would involve the element of what you are doing as compared to what private industry is doing. This also brings up the point that in private industry policy changes are made from time to time when an opportunity to increase the attractiveness of a product to the customer, to introduce a new product to make a profit or a service that can make some money for the operator. This brings me up to a discussion we have had in prior years about the problem you have in mail processing of the enormous variety of sizes and shapes in all pieces of mail that are dumped on you for processing and delivery. The advantages in mechanization, and the speed and lower cost of handling you would have if mail was standardized. Are you making

any studies in terms of trying to move toward more standardization of the letter mail, even to the point some day of providing bonuses in terms of better rates or some other advantages to those users who did use a certain standard as against the odd sizes and shapes?

Mr. BAILAR. I would like for Mr. Faught to reply to your question.

Mr. FAUGHT. Mr. Chairman, the problem you point out here is a serious one and does influence significantly the difficulty in developing equipment to handle the mail.

Over a period of years there have been a number of studies looking at this question of standardization of envelopes. It is the current conclusion that the possibility of requiring or encouraging a single-size envelope, or a very limited number of sizes would meet with a great deal of difficulty. It is, for example, pretty hard to legislate the size envelope to put a Christmas card in with Mona Lisa on it, and to dictate the aspect ratio.

What we have been able to do is to define what are called machinable limits to the letter mail. What this defines are both minimum and maximum sizes of that mail and describes the characteristics of the thickness and the contents from a stiffness standpoint.

As long as that mail is machinable within those physical limits, we believe that we can design and develop equipment to handle that mail efficiently and with a very high percentage of success. What we would want to do is encourage mailers to put as much of the mail into envelopes meeting those requirements and I believe over a long period of time certainly the thought of having a rate differential for the mail that does not meet those requirements would be quite appropriate because the cost of handling the different sizes of mail would be different.

We have in this country a very wide variety of mail pieces that we are handling. I believe on the order of 23 billion pieces which are described as flats. These are the outsize pieces of mail which are largely business-generated that transmit full 8½ by 11 or roughly that size piece through the mails. So there is a great use of mail other than a standard envelope size.

We think even this machinable limit approach will result in some very significant improvements over the operation we now have.

Mr. FREED. Well, I think that this type of approach is better. Getting the American postal user to standardize to a certain size would, I think, create quite a problem, but making him pay for the privilege of going outside the standard size, I think you could establish and make it stand up. If he is going to insist on using some type of an envelope that imposes extra cost, he can well expect to pay for that privilege. That is the only way I think you could ever get away with putting a limit on it.

Mr. BAKER. The American greeting card industry is putting together a task force to collaborate with Mr. Faught's people in developing this preferential mail network, the idea being if they can understand the dimensions of the machines they can start programs to design their greeting cards to fit them and that, through collaboration downstream, we can get more of their industry's cards that will fit into our machines to be machine-read and handled and I think this is a very encouraging liaison that we have started with the American business community to do exactly what you have pointed out.

BOND SALES

Mr. STEED. In the budget highlights we have a statement "\$250 million in bonds will be sold in 1972 with an issuance date of February 1, and in 1973 an additional sale of \$250 million will be made with an issue date of March 1."

It is my understanding that this really has not been finalized as stated here.

Mr. BAILAR. The 1972 bonds have been sold. The 1973 bond issue as shown is a projection. There has not been a final decision on the possible sale of bonds next year.

Mr. STEED. Would you please provide for the record a list of top positions and salaries for the Postal Service.

Mr. BAILAR. Yes, sir.

(The information follows:)

1972 Headquarters, PES 20-29
as of 4/28/72

<u>Grade Level and Range</u>	<u>Position Title</u>	<u>Salary</u>
PES-29, \$60,000	Postmaster General	\$60,000
PES-28, \$44,233 to 58,830	Deputy Postmaster General	57,500
PES-27, \$42,353 to 56,329	...	...
PES-26, \$40,473 to 53,829	Senior Assistant Postmaster General for Support	52,500
PES-25, \$38,594 to 51,330	Senior Assistant Postmaster General for Employee and Labor Relations	50,000
	Senior Assistant Postmaster General for the Mail Processing Group	50,000
	Senior Assistant Postmaster General for the Customer Services Group	50,000
	Assistant Postmaster General for the Logistics and Engineering Department	45,000
PES-24, \$36,719 to 48,836	Assistant Postmaster General for the Bulk Mail Processing Department	45,000
	Assistant Postmaster General for Finance	44,500
	Assistant Postmaster General for Executive Functions	42,500
	Assistant Postmaster General for Communications and Public Affairs	42,500
	Senior Assistant Postmaster General for Law Group and General Counsel	42,500
	Assistant Postmaster General for Inspection Service	42,500
	Assistant Postmaster General for Employee Relations Department	42,500
	Assistant Postmaster General for the Engineering and Logistics Department	42,500
	Director of Research	37,000

1972 Headquarters, PES 20-29
as of 4/28/72

<u>Grade Level and Range</u>	<u>Position Title</u>	<u>Salary</u>
PES-23, \$34,835 to 46,331	Assistant Postmaster General for Administration	\$39,418
	Assistant Postmaster General for the Management Information Systems Department	39,418
	Assistant Postmaster General for the Product Management Department	39,418
	Director of the Office of Job Evaluation Solicitor	37,000 34,835
PES-22, \$32,955 to 43,830	Controller	40,000
	Director of the Office of Logistics	39,600
	Director of the Office of Rates and Classification	39,490
	Deputy Assistant Postmaster General and Treasurer	39,490
	Director of the Office of Criminal Investigations	39,000
	Executive Assistant for Postal Affairs	38,393
	Executive Assistant for Government Relations	36,000
	Director for Engineering Consumer Advocate	35,100 33,700
PES-21, \$31,075 to 41,330	Manager of the Budget Division	38,850
	Director of the Systems Research Office	37,000
	Deputy Special Assistant Postmaster General for Communications Services	37,000
	Director of the Office of Audits	37,000
	Judicial Officer	37,000
	Director of the Office of Manpower Planning and Development	37,000
	Director of the Office of Procurement	37,000
	Director of the Office of ADP Services	37,000
	Director of the Program Control Office	37,000
	Program Director	37,000
	Chief of the Office of Administration	35,385
	Special Assistant to the Assistant Postmaster General for the Employee Relations Department	35,000
	Assistant General Counsel for the Labor Law Division	34,604
	Director of the Technical Planning and Financial Analysis Office	34,347
	Program Director	33,491
	Manager of the Process Engineering Division	32,000
	Manager of the Industrial Engineering Division	31,100
	Director of the Office of Security	31,075
Executive Assistant to the Deputy Postmaster General Manager of the Accounting Division	31,075 31,075	

1972 Headquarters, PES 20-29
as of 4/28/72

<u>Grade Level and Range</u>	<u>Position Title</u>	<u>Salary</u>
PES-20, \$29,195 to 38,829	Special Assistant to the Senior Assistant Postmaster General	\$38,829
	Deputy Director to the Director for Engineering	37,000
	Hearing Examiner	37,000
	Assistant General Counsel of the Postal Rates and Mail Classification Office	36,514
	Assistant General Counsel of the Contracts and Property Division	36,435
	Manager of the Budget Estimates and Control Branch	35,900
	Assistant General Counsel of the Opinions Division	35,900
	Hearing Examiner	35,900
	Acting Director of the Office of Employee Services	34,700
	Director of the Economic Analysis Division	34,700
	Director of the Office of International Postal Affairs	34,700
	Director of the Support Planning Office	34,500
	Director of the Office of Statistical Programs and Standards	33,500
	Manager of the Industrial Engineering Branch	33,500
	Director of the Office of Sales	33,500
	Assistant General Counsel of the Transportation Office	32,848
	Manager of the Letter Mail Research Division	32,300
	Manager of the Bulk Mail General Research Division	32,300
	Director of the Office of Management Services	32,300
	Director of the Postal Service Laboratory	32,000
	Manager of the Distribution Systems Division	31,160
	Manager of the Mail Classification Division	31,100
	Manager of the Operating Programs Division	31,100
	Director of Financing	29,900
	Manager of the Plant and Equipment Technical Management Division	29,201
	Manager of the Transportation Planning Division	29,195
	Congressional Liaison Officer	29,195
	Assistant General Counsel of the Consumer Protection Office	29,195
	Assistant General Counsel of the Legislative Division	29,195

1972 Regions, PES 20-29
as of 4/28/72

<u>Grade Level and Range</u>	<u>Position Title</u>	<u>Salary</u>
PES-27, \$42,353 to 56,329	Regional Postmaster General, Central Region	\$45,000
	Regional Postmaster General, Eastern Region	45,000
	Regional Postmaster General, New York Region	45,000
	Regional Postmaster General, Southern Region	45,000
	Regional Postmaster General, Western Region	45,000
PES-23, \$34,835 to 46,331	Regional Chief Inspector, Western Region	39,000
	Regional Chief Inspector, Central Region	38,500
	Regional Chief Inspector, Eastern Region	38,000
	Regional Chief Inspector, New York Region	37,862
	Regional Chief Inspector, Southern Region	35,771
PES-22, \$32,955 to 43,830	Assistant Regional Postmaster General, Mail Processing Group, New York Region	39,600
	Assistant Regional Postmaster General, Mail Processing Group, Western Region	38,880
	Assistant Regional Postmaster General, Mail Processing Group, Central Region	37,228
	Assistant Regional Postmaster General, Mail Processing Group, Eastern Region	37,000
	Assistant Regional Postmaster General, Mail Processing Group, Southern Region	35,385
PES-21, \$31,075 to 41,330	Manager, Metro Center, Chicago	38,850
	Assistant Regional Postmaster General, Support Group, Western Region	37,675
	Manager, Metro Center, New York Region	37,345
	Assistant Regional Postmaster General, Support Group, New York Region	37,150
	Assistant Regional Postmaster General, Support Group, Southern Region	37,000
	Assistant Regional Postmaster General, Customer Services Group, Western Region	37,000
	Assistant Regional Postmaster General, Employee and Labor Relations Group, Eastern Region	36,205
	Assistant Regional Postmaster General, Employee and Labor Relations Group, Southern Region	36,203
	Assistant Regional Postmaster General, Employee and Labor Relations Group, Western Region	36,203

1972 Regions, PES 20-29
as of 4/28/72

<u>Grade Level and Range</u>	<u>Position Title</u>	<u>Salary</u>	
PES-21 (Continued)	Assistant Regional Postmaster General, Customer Services Group, Southern Region	\$36,000	
	Inspector In Charge, Boston	35,571	
	Inspector In Charge, Philadelphia	35,459	
	Assistant Regional Postmaster General, Support Group, Central Region	34,700	
	Assistant Regional Postmaster General, Support Group, Eastern Region	34,650	
	Assistant Regional Chief Inspector, Criminal, New York Region	33,042	
	Inspector In Charge, San Francisco	33,042	
	Inspector In Charge, Chicago	31,919	
	Inspector In Charge, Los Angeles	31,605	
	Assistant Regional Chief Inspector, Criminal, New York Region	31,075	
	Assistant Regional Chief Inspector, Criminal, Eastern Region	31,075	
	Assistant Regional Chief Inspector, Criminal, Central Region	31,075	
	Assistant Regional Chief Inspector, Criminal, Southern Region	31,075	
	Assistant Regional Postmaster General, Customer Services Group, New York Region	31,075	
	Manager, Metro Center, Los Angeles	31,075	
	Inspector In Charge, New York Region	31,075	
	Inspector In Charge, Cincinnati	31,075	
	Inspector In Charge, Ft. Worth	31,075	
	Inspector In Charge, Chattanooga	31,075	
	Assistant Regional Postmaster General, Customer Services Group, Central Region	31,075	
	PES-20, \$29,195 to 38,829	Manager, Metro Area, Pittsburgh	37,500
		Manager, Metro Center, Washington, D. C.	37,500
		Inspector In Charge, Atlanta	37,000
		Manager, Metro Area, Cleveland	37,000
		Manager, Metro Center, Boston	37,000
		Inspector In Charge, Denver	36,668
		Manager, Metro Area, St. Louis	36,668
Manager, Metro Area, New York		33,670	

1972 Regions, PES 20-29
as of 4/28/72

<u>Grade Level and Range</u>	<u>Position Title</u>	<u>Salary</u>
PES-20 (Continued)	Manager, Metro Area, Detroit	\$33,500
	Assistant Regional Chief Inspector, Audit, New York	33,042
	Manager, Metro Area, Philadelphia	33,007
	Assistant Regional Chief Inspector, Audit, Southern	31,656
	Inspector In Charge, Detroit	30,831
	Assistant Regional Chief Inspector, Audit, Western	30,625
	Assistant Regional Chief Inspector, Audit, Eastern	30,451
	Inspector In Charge, St. Louis	29,743
	Inspector In Charge, Kansas City	29,743
	Assistant Regional Chief Inspector, Audit, Central	29,416
	Inspector In Charge, St. Paul	29,195
	Inspector In Charge, Memphis	29,195
	Inspector In Charge, Seattle	29,195
	Inspector In Charge, Pittsburgh	29,195
	Manager, Metro Center, San Francisco	29,195

Postal Rate Commission
as of 4/28/72

<u>Grade Level and Range</u>	<u>Position Title</u>	<u>Salary</u>
Executive Level III, \$40,000	...	...
Executive Level IV, \$38,000	...	...
PRCS-22, \$32,700 to 36,000	General Counsel	\$36,000
PRCS-21, \$30,800 to 36,000	Chief Accountant	36,000
	Chief Hearing Examiner	36,000
	Chief Economist	36,000
	Assistant General Counsel	35,700
	Chief Administration Officer	34,400
	Special Assistant to the Postal Rate Commission	34,400
PRCS-20, \$28,900 to 36,000	Assistant General Counsel	34,400
	Secretary of the Postal Rate Commission	32,300

MR. STEED. Gentlemen, are there further questions?

On behalf of the committee, let me express our appreciation. I think you have made very effective presentations this year, and we were very pleased to note a great deal of groundwork has been done in trying to get a better handle on the problems of the Department to determine how they can be solved. Hopefully, some of the other uncertainties that have plagued you since this all started may soon be cleared up. Perhaps by this time next year when you come to present your budget, the air will be a lot clearer and we will have a lot fewer problems than we have had so far. We do appreciate the material you have presented.

MR. BAILAR. We appreciate your interest in the Postal Service.

JUSTIFICATION OF THE BUDGET ESTIMATES

U.S. POSTAL SERVICE

The U.S. Postal Service was converted from the Post Office Department into an independent establishment on July 1, 1971, by the Postal Reorganization Act of 1970, Public Law 91-375. This agency is charged with providing customers with reliable mail service at reasonable rates and fees.

The Postal Service is governed by an 11-member Board of Governors, including nine Governors appointed by the President and a Postmaster General and a Deputy Postmaster General who are selected by the Board.

Domestic postage rates, postal services, and classification of mail matter are subject to public notice and administrative hearing procedures under the authority of a five-member Presidentially appointed Postal Rate Commission, which makes recommendations to the Governors. Final determinations on changes in mail rates or classifications are made by the Governors subject to appellate review.

The activities of the Postal Service are financed from the following sources: (1) Mail and services revenue, (2) reimbursements from Federal and non-Federal sources, (3) proceeds from borrowing, (4) interest from U.S. securities and other investments, and (5) appropriations by the Congress.

All receipts and deposits are made to the Postal Service Fund and are available without fiscal year limitation for payment of all expenses incurred, retirement of obligations, investment in capital, and, with appropriate advice or approval by the Secretary of the Treasury, investment in obligations and securities.

The 1973 program for the U.S. Postal Service is based on an anticipated mail volume of 90.8 billion pieces, compared to 88.9 billion estimated for 1972 and 87 billion 1971.

FINANCIAL AND STATISTICAL SUMMARY

[In thousands of dollars]

	<i>1971 actual</i>	<i>1972 estimate</i>	<i>1973 estimate</i>
Obligations incurred:			
Operating expenses.....	8,811,730	9,774,127	10,319,491
Capital investment.....	235,402	1,074,322	1,327,253
Carryover and operating receipts.....		(493,924)	(266,129)
Borrowing authority.....		(580,398)	(1,061,124)
Other funded requirements.....		76,509	32,539
Total.....	<u>9,047,132</u>	<u>10,924,958</u>	<u>11,679,283</u>
Unobligated end of year:			
Operations.....	73,720		
Capital.....	477,668		
Borrowing authority.....	10,000,000	9,419,602	8,358,478
Total.....	<u>10,551,388</u>	<u>9,419,602</u>	<u>8,358,478</u>
Budgeted expenditures:			
Payments.....	9,089,997	10,252,055	10,651,288
Cash receipts (other than from borrowing).....	-6,906,587	-9,726,186	-10,665,959
Net expenditures.....	<u>2,183,410</u>	<u>525,869</u>	<u>-14,671</u>
Revenue and expenses (cost basis):			
Accrued expenses.....	9,042,277	9,903,150	10,468,550
Less: Revenue and operating reimbursements.....	-6,795,685	-8,353,180	-9,171,320
Accrued net expenses.....	<u>2,246,592</u>	<u>1,549,970</u>	<u>1,297,230</u>
Less: Subsidies.....	-844,500	-1,361,200	-1,391,500
Net income or loss (-) for year.....	<u>-1,402,092</u>	<u>-188,770</u>	<u>94,270</u>
Other statistics:			
Volume of mail—pieces (millions).....	86,983	88,925	90,764
Special services—transactions (thousands).....	543,848	544,218	548,246
Employment (man-years).....	723,581	719,839	712,986
Filled positions (on-rolls).....	¹ 724,344	720,047	708,869

¹ Excludes 4,408 summer youth employees and 159 when-actually-employed consultants.

Program and Financing (in thousands of dollars)

Identification code 28-00-1001-0-1-505		1971 actual	1972 est.	1973 est.
Program by activities:				
Payment to the Postal Service Fund for:				
	Previous nonfunded liabilities of the Post Office Department.....		56,322	32,539
	Public service costs.....		903,600	920,000
	Free and reduced-rate mail.....		457,600	471,500
10	Total payments to the Postal Service Fund (costs—obligations) (object class 41.0).....		1,417,522	1,424,039
Financing:				
40	Budget authority (appropriation).....		1,417,522	1,424,039
71	Obligations incurred, net.....		1,417,522	1,424,039
90	Outlays.....		1,417,522	1,424,039

This appropriation is for the purpose of reimbursing the U.S. Postal Service for public service costs and loss in revenue associated with revenue foregone on free and reduced mail, pursuant to 39 U.S.C. 2401 (b) and (c), and for transitional costs pursuant to 39 U.S.C. 2004. The \$32,539,000 requested for previously unfunded liabilities of the former Post Office Department provides \$1,539,000 to cover the difference between the amount appropriated in 1972 and the actual costs for payments to the Employees' Compensation Fund for fiscal years 1970 and 1971 and \$31 million to cover one-twelfth of the \$372,976,423 in earned and unused annual leave balances due postal employees on June 30, 1971, from the former Post Office Department. It is proposed to fund the remainder of the annual leave liability in future years.

Public enterprise funds:

POSTAL SERVICE FUND

Program and Financing (in thousands of dollars)

Ident. code 28-00-4020-0-3-505	1971 actual	1972 est.	1973 est.
Program by activities:			
Operating costs, funded:			
1. Services at small post offices.....	3,183,662	3,437,510	3,624,902
2. Window and collection services—large offices.....	278,043	287,527	304,457
3. Delivery services—large offices.....	724,138	778,130	820,892
4. Processing of mail—large offices.....	2,465,974	2,684,530	2,793,564
5. Transportation.....	798,967	826,033	848,184
6. Law enforcement.....	36,291	60,822	90,607
7. Research, development, and engineering.....	59,231	75,698	91,408
8. Administration.....	542,241	633,958	712,510
9. Logistical postal support.....	761,402	900,880	989,651
10. Conversion of postal fiscal year to Government fiscal year.....	31,761	81,114	32,280
Total operating costs, funded.....	18,881,710	9,766,202	10,308,455
Change in selected resources ²	-69,980	7,925	11,036
Total operating obligations.....	8,811,730	9,774,127	10,319,491
Capital outlay, funded:			
7. Research, development, and engineering.....	4	-----	-----
9. Logistical postal support, capital investment.....	251,024	470,135	491,941
Total capital outlay, funded.....	251,028	470,135	491,941
Change in selected resources ²	-15,626	604,187	835,312
Total capital outlay obligations.....	235,402	1,074,322	1,327,253
Adjustment for prior year obligations:			
Workmen's compensation.....	-----	56,322	1,539
Retirement bonus.....	-----	20,187	-----
Employee's earned and unused annual leave.....	-----	-----	31,000
10 Total obligations.....	9,047,132	10,924,958	11,679,283

Public enterprise funds—Continued

POSTAL SERVICE FUND—Continued

Program and Financing (in thousands of dollars)—Continued

Identification code 28-00-4020-0-3-505		1971 actual	1972 est.	1973 est.
Financing:				
Receipts and reimbursements from:				
11	Federal funds:			
	Receipts from other Government agencies for mail and other postal services	-206,236	-257,179	-263,490
	Reimbursements, operating Public service and transitional subsidies	-126,825	-138,207	-128,646
	Receipts from investments		-1,417,522	-1,424,039
			-72,500	-46,200
14	Non-Federal sources:			
	Mail and other postal services	-6,458,751	-7,877,681	-8,725,506
	Reimbursements	-13,142	-26,283	-26,478
	Receipts from investments		-3,800	-3,800
	Unobligated balance available, start of year:			
21.48	Authority to spend agency debt receipts		-10,000,000	-9,419,602
21.98	Fund balance	-216,940	-551,388	
	Unobligated balance available, end of year:			
24.48	Authority to spend agency debt receipts	10,000,000	9,419,602	8,358,478
24.98	Fund balance	551,388		
	Budget authority	12,576,626		
Budget authority:				
40	Appropriation (indefinite)	2,576,626		
48	Authority to spend agency debt receipts	10,000,000		
Relation of obligations to outlays:				
71	Obligations incurred, net	2,242,178	1,131,786	1,061,124
	Obligated balance, start of year:			
72.48	Authority to spend agency debt receipts			330,398
72.98	Fund balance	857,674	913,137	1,188,656
	Obligated balance, end of year:			
74.48	Authority to spend agency debt receipts		-330,398	-1,141,522
74.98	Fund balance	-913,137	-1,188,656	-1,453,327
77	Adjustments in expired accounts	-3,305		
90	Outlays	2,183,410	525,869	-14,671

¹ Includes \$105,500 thousand covering the retroactive cost (April 18-June 30, 1970) of the 8% pay raise (39 U.S.C. 1003(b)).

² Balance of selected resources are identified on the statement of financial condition. Changes shown above exclude \$9,500 thousand prior year adjustment downward in 1971, and \$56,322 thousand of appropriations in 1972 and \$1,539 thousand in 1973 applied to cover the Post Office Department unfunded liability for workmen's compensation; \$20,187 thousand applied in 1972 to cover the unfunded liability for the retirement bonus; and \$31,000 thousand of appropriations in 1973 applied to reduce the Post Office Department unfunded liability for employees' earned and unused annual leave.

The following program activities are included in the budget estimates:

1. *Services at small post offices.*—The activity provides for services performed at all post offices below the 176 largest. Functions covered are processing of mail; window services; supervisory and administrative costs at these offices; collection of mail, including collection from classified and contract stations and branches associated with these post offices; and city, special, and rural mail delivery services.

2. *Window and collection services—large offices.*—Window and collection services, including registry, insured, collect-on-delivery, and customs services at the 176 largest post offices and related classified and contract stations and branches are provided for in this activity. Servicing and minor maintenance of stamp vending machines and self-service postal units, and costs of stations and branches operated under contract are included.

3. *Delivery services—large offices.*—This activity provides for the delivery of all classes of mail to private individuals and businesses in cities and residential areas serviced by the 176 largest post offices, including special delivery services and rural routes associated with such offices.

4. *Processing of mail—large offices.*—This activity provides for those operations involved in the processing of all classes of incoming and outgoing mail at the 176 largest post offices. Related platform operations and preparation of mail for delivery are included.

5. *Transportation.*—Included in this activity are local, intercity, and international transportation of mail or mail containers by air, rail, highway, and water.

6. *Law enforcement.*—This activity provides for the investigative and law enforcement responsibility of the Postal Inspection Service pertaining to the violation of postal laws, prevention and detection of loss and mistreatment of mails, and losses of Government funds and property. Cooperative efforts in the national program to combat organized crime, activities directed toward crime prevention within the Postal Service, security programs for protection of postal personnel and property, and administrative functions are included.

7. *Research, development, and engineering.*—This activity provides for the conduct of in-house and contractual general research, applied research and development, systems planning and design, and industrial engineering programs in the Postal Service. These programs involve application of advanced management sciences and technical skills to the identification and evaluation of new technological capabilities, the improvement of the working environment, and the planning and design of postal facilities and mechanized systems. Administrative functions of the research department are included.

8. *Administration.*—This activity provides for the overall planning and management of Postal Service programs, related support services, and internal audit functions at headquarters and field offices. Costs of contractual professional and technical services, the Board of Governors, the Postal Service Advisory Council, the Postal Rate Commission and staff, and the regional management selection boards are included. Administration and operation of management information systems such as the postal source data system, and the training programs of the Postal Service Management Institute, the Oklahoma Postal Training Operations, and the Postal Academy Training Institute are covered in this activity. Contributions to the unemployment and workmen's compensation funds, claims and indemnities, and costs of employees' earned but unused annual leave are also included.

9. *Logistical postal support.*—(a) *Capital investment.*—This activity provides for the capital investment program of the Postal Service and includes acquisition of sites, construction of postal facilities, purchase of leased buildings, alteration and improvement of leased and owned facilities, operation of the mail equipment shops, and investments in major mail processing machinery and equipment in large postal facilities designed for such installations. Purchase of vehicles and auxiliary equipment for replacement of wornout vehicles and for additions to the fleet required by growth in mail volume and delivery area, augmentation of the carrier motorization program, and law enforcement functions are included in the capital investment program. Customer services equipment, which includes self-service postal units and vending machines, and equipment required for support of postal operations are also included. Debt discount and expense related to borrowing are provided for in this activity.

(b) *Expenses.*—This activity includes the rental, operation, and maintenance of leased facilities, operating supplies and maintenance required for the postal vehicle fleet, and supplies and procurement related to postal operations. Administration and operation of the area supply centers, label printing units, mailbag repair centers and depositories, and the stamped envelope agency are also provided for in this activity. Interest on borrowing is included.

10. *Conversion of postal fiscal year to Government fiscal year.*—This activity provides for the costs associated with conversion from a postal fiscal year, which is the basis for all inservice estimating, reporting, and program evaluation, to a Government fiscal year.

Revenue and expenses.—Amounts estimated to become available in 1973 include \$9,194,120 thousand from revenues and receipts, of which \$22,800 thousand is from sale of assets at book value; \$250,000 thousand from authorized borrowings; and \$1,424,039 thousand from the appropriation, "Payments to the Postal Service fund," of which \$1,539 thousand covers Post Office Department liability to the employees' compensation fund, and \$31,000 thousand covers Post Office Department unfunded liability for employees' earned and unused annual leave. Total cash from these sources is estimated to be \$10,868,159 thousand.

Section 2005 of the Postal Reorganization Act authorizes borrowing authority of \$10 billion for the Service with a yearly limitation of \$2 billion, of which not more than \$500 million may be used to cover operating expenses. As of June 30, 1972, it is expected that obligations outstanding will amount to \$500 million. These obligations will be for the purpose of covering capital commitments entered into after July 1, 1971.

Financial condition.—The end-of-year balances in both accounts receivable and accounts payable reflect normal billing cycles.

The transfers and prior year adjustments displayed in total in the Analysis of Changes in Government Equity are as follows (in thousands of dollars):

	1970 <i>actual</i>	1971 <i>actual</i>	1972 <i>estimate</i>	1973 <i>estimate</i>
Nonfunded expenses transferred from other agencies:				
Depreciation on GSA buildings.....	4,478	4,381	-----	-----
Building maintenance and custodial service provided by GSA.....	25,999	25,644	-----	-----
Unemployment benefits paid by Department of Labor.....	11,212	13,410	-----	-----
Adjustment in expired accounts (prior years).....	2,255	-3,305	-----	-----
Prior year adjustment to asset accounts.....	-10,800	-43,684	-----	-----
Transfers of assets to other agencies...	-4,903	-18,180	-----	-----
Transfers of assets from other agencies.....	136,504	83,545	-----	-----
Previous unfunded liability of the Post Office Department.....	-----	-----	56,251	32,539
Adjustment for estimated prepaid postage in the hands of the public...	-----	-----	-300,000	-----
Total transfers and prior year adjustments.....	164,745	61,811	-243,749	32,539

Revenue and Expense (in thousands of dollars)

	1971 actual	1972 est.	1973 est.
Revenue and operating receipts:			
Mail and services revenue.....	6,664,987	8,134,860	8,988,996
Investment income.....	-----	76,300	50,000
Reimbursements for nonpostal services and operating expenses.....	130,698	142,020	132,324
Revenue other than subsidies.....	6,795,685	8,353,180	9,171,320
Public service and transitional subsidies ¹	-----	1,361,200	1,391,500
Total revenue and operating receipts	6,795,685	9,714,380	10,562,820
Operating expenses:			
Payable from Postal Service fund, funded:			
Services at small post offices.....	3,183,662	3,437,510	3,624,902
Window and collection services—large offices.....	278,043	287,527	304,457
Delivery services—large offices.....	724,138	778,130	820,892
Processing of mail—large offices.....	2,465,974	2,684,530	2,793,564
Transportation.....	798,967	826,033	848,184
Law enforcement.....	36,291	60,822	90,607
Research, development, and engi- neering.....	59,231	75,698	91,408
Administration.....	542,241	633,958	712,510
Logistical postal support.....	761,402	900,880	989,651
Conversion of postal fiscal year to Government fiscal year.....	31,761	81,114	32,280
Total operating expenses (payable from Postal Service fund, funded)	8,881,710	9,766,202	10,308,455
Other operating expenses (nonfunded):			
Depreciation and amortization of fixed assets.....	97,276	111,918	130,000
Expendable equipment and chargeoffs..	24,237	25,000	30,000
Amortization of debt discount and ex- pense.....	-----	30	95
Building maintenance and custodial services provided by General Services Administration ²	25,644	-----	-----
Unemployment benefits paid by Depart- ment of Labor ²	13,410	-----	-----
Total other operating expenses (nonfunded)	160,567	136,948	160,095
Total operating expenses	9,042,277	9,903,150	10,468,550
Net operating income or loss (-)	-2,246,592	-188,770	94,270
Nonoperating income or loss (-):			
Proceeds from sale of assets.....	9,269	22,470	22,800
Net book value of assets sold (-).....	-9,269	-22,470	-22,800
Nonoperating income or loss	-----	-----	-----
Net income or loss (-) for the year	-2,246,592	-188,770	94,270

¹ Excludes \$56,322 thousand in 1972 and \$1,539 thousand in 1973 funding of liability to the employees' compensation fund and \$31,000 thousand in 1973 funding of liability for employees' earned and unused annual leave, both of which are liabilities of the former Post Office Department.

² Funded in operating expenses in 1972 and 1973.

Financial Condition (in thousands of dollars)

	1970 actual	1971 actual	1972 est.	1973 est.
Assets:				
Current assets:				
Cash.....	1,320,232	1,758,076	149,656	1,251,827
U.S. investments.....			1,333,000	500,000
Accounts receivable:				
U.S. Government				
agencies.....	94,347	101,709	102,500	104,500
Foreign countries.....	25,423	24,438	25,000	25,500
Interest.....			64,000	15,000
Other.....	9,542	5,222	7,000	7,100
Total.....	129,312	131,367	198,500	152,100
Less allowance.....		6,851	7,000	7,000
Accounts receivable, net.....	129,312	124,516	191,500	145,100
Supplies, advances, and prepayments ¹	52,283	51,286	53,511	54,511
Total current assets.....	1,501,827	1,932,890	1,727,667	1,951,438
Property and equipment, net.....	1,259,405	1,415,466	1,726,183	2,035,229
Total assets.....	2,761,232	3,348,356	3,453,850	3,986,667
Liabilities:				
Current liabilities:				
Outstanding postal money orders.....	234,864	279,699	280,000	284,000
Accrued payroll ²	222,972	284,002	138,898	170,830
Payroll taxes and civil service retirement, including amounts withheld.....	120,455	128,245	135,200	141,900
Workmen's compensation ³	43,840	57,790	55,073	52,575
Accounts payable to other U.S. Government agencies.....	36,394	49,325	54,325	57,825
Other accounts payable and accrued expenses ¹	154,961	157,286	172,495	183,080
Prepaid permit mail and box rentals.....	76,828	89,818	91,300	93,700
Estimated prepaid postage in the hands of the public.....			300,000	300,000
Total current liabilities.....	890,314	1,046,165	1,227,291	1,283,910
Long-term debt to the public: U.S. Postal Service gross revenue bonds.....			250,000	500,000
Reserves:				
Workmen's compensation ³			64,400	129,725
Catastrophe insurance.....			2,500	5,000
Employees accumulated annual leave ⁴	333,368	372,796	412,783	444,347
Total reserves.....	333,368	372,796	479,683	579,072
Total liabilities.....	1,223,682	1,418,961	1,956,974	2,362,982

See footnotes at end of table.

	1970 actual	1971 actual	1972 est.	1973 est.
Government equity:				
Obligations: Undelivered orders: ¹				
Operations.....	51,032	66,723	74,372	85,132
Capital investment...	363,102	339,484	943,671	1,778,983
Total undelivered orders.....	414,134	406,207	1,018,043	1,864,115
Unobligated balances:				
Authority to spend agency debt receipts.....		10,000,000	9,419,602	8,358,478
Fund balance.....	216,940	551,388		
Total unexpended balance.....	631,074	10,957,595	10,437,645	10,222,593
Undrawn borrowing authorizations.....		-10,000,000	-9,750,000	-9,500,000
Total funded balance.....	631,074	957,595	687,645	722,593
Investment in properties, equipment, and inventories, net.....	906,476	971,800	809,231	901,092
Total Government equity.....	1,537,550	1,929,395	1,496,876	1,623,685

Analysis of Changes in Government Equity (in thousands of dollars)

	1971 actual	1972 est.	1973 est.
Non-interest-bearing capital:			
Start of year.....	1,537,550	1,929,395	1,496,876
Transfers and prior year adjustments ¹	61,811 ⁵	-243,749	632,539 ⁶
Appropriations.....	2,576,626		
Net income or loss (-) for the year.....	-2,246,592	-188,770	94,270
Total Government equity (end of year).....	1,929,395	1,496,876	1,623,685

¹ These items are included in the "Change in selected resources" entries on the program and financing schedule in their entirety. Other items are only partially applicable to these entries.

² The 1971 amount includes \$20,187 thousand for a retirement bonus to be funded in 1972 out of operations.

³ Workmen's compensation amounts reported under current liabilities for 1970 and 1971 represent unfunded liabilities funded in future years through appropriations (for cost of injuries occurring prior to June 30, 1971) and through the operations process (for post-June 30, 1971, injuries). The amounts reported under the reserves section of the balance sheet reflect the change in policy in financing workmen's compensation to show full accrued cost for injuries in the year in which they occur.

⁴ At the beginning of 1972 the Postal Service carried a liability of \$372,796 thousand from the former Post Office Department for earned and unused annual leave of postal employees. This liability will be funded over a period of 12 years through the appropriation process. The 1973 appropriation request for this item amounts to \$31,000 thousand (see note 6). The amount of \$412,783 thousand reported in the reserves for 1972 includes a funded amount of \$39,987 thousand. The \$444,347 thousand for 1973 includes a funded amount of \$102,551 thousand.

⁵ The \$243,749 thousand decrease in equity in 1972 is a net of three items. Item 1 is the establishment of a current liability to reflect estimated postage in the hands of the public. Item 2 is the \$56,322 thousand receipts from the appropriation "Payments to the U.S. postal fund" to cover Post Office Department liability to the employees' compensation fund. Item 3 is a prior year adjustment of \$71 thousand for underaccrual of workmen's compensation cost in 1970.

⁶ The \$32,539 thousand represents receipts from the appropriation "Payments to U.S. postal fund" to cover Post Office Department liability to the workmen's compensation fund in the amount of \$1,539 thousand, and \$31,000 thousand to apply against the liability of the U.S. Government to postal employees for earned and unused annual leave balances as of June 30, 1971.

Object Classification (in thousands of dollars)

Identification code 28-00-4020-0-3-505	1971 actual	1972 est.	1973 est.	
Personnel compensation:				
11.1	Permanent positions.....	5,210,383	5,721,891	5,716,803
11.3	Positions other than permanent...	1,082,817	1,185,376	1,552,714
11.5	Other personnel compensation....	502,430	551,602	581,733
	Total personnel compensation..	6,795,630	7,458,869	7,851,250
12.1	Personnel benefits: Civilian.....	598,829	793,561	807,643
13.0	Benefits for former personnel.....	62	20,187	-----
21.0	Travel and transportation of persons..	31,898	35,989	36,919
22.0	Transportation of things.....	827,436	845,319	862,387
23.0	Rent, communications, and utilities..	233,374	290,401	308,654
24.0	Printing and reproduction.....	11,173	12,481	12,789
25.0	Other services.....	183,570	229,323	282,628
26.0	Supplies and materials.....	105,200	126,504	132,021
31.0	Equipment.....	117,970	399,522	639,286
32.0	Lands and structures.....	105,269	663,695	666,350
33.0	Investments and loans.....	-----	1,425	1,425
42.0	Insurance claims and indemnities....	36,721	39,872	52,931
43.0	Interest and dividends.....	-----	7,810	25,000
99.0	Total obligations.....	9,047,132	10,924,958	11,679,283

Personnel Summary

	1971 actual	1972 est.	1973 est.
POSTAL SERVICE			
Total number of permanent positions.....	564,728	613,330	618,403
Full-time equivalent of other positions.....	141,341	140,488	139,271
Average paid employment.....	697,688	694,013	687,375
Average postal executive schedule grade....	17.6	15.5	15.5
Average postal executive schedule salary....	\$26,286	\$22,437	\$22,607
Average postal manager schedule grade....	8.7	8.5	8.5
Average postal manager schedule salary....	\$12,079	\$11,834	\$12,064
Average postal service grade.....	5.1	5.0	5.0
Average postal service salary.....	\$9,019	\$9,262	\$9,363
Average salary of ungraded positions.....	\$9,644	\$10,493	\$11,060
POSTAL RATE COMMISSION			
Total number of permanent positions.....	80	98	98
Average paid employment.....	20	90	98
Average postal rate commission schedule..	13.3	13.1	13.2
Average postal rate commission schedule..	\$19,159	\$18,258	\$19,320

SERVICES AT SMALL POST OFFICES
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
				Amount	Pct.		Amount	Pct.
MANPOWER								
1. Positions.....		308,762	304,847	-3,915	-1.3	302,063	-2,784	-0.9
2. Man-years.....		304,091	301,185	-2,906	-1.0	300,660	-	-0.2
COMMITMENTS (\$000)								
1. Postal Operations at Small Offices.....	2	1,664,402	1,799,044	134,642	8.1	1,891,781	92,737	5.2
2. Collection and City Delivery.....	7	1,004,984	1,101,120	96,136	9.6	1,162,540	61,420	5.6
3. Special Delivery.....	11	17,942	19,050	1,108	6.2	20,062	1,012	5.3
4. Rural Delivery Routes.....	14	478,467	517,562	39,095	8.2	549,785	32,223	6.2
5. Other Postal Services.....	18	1,465	734	-731	-49.9	734	...	...
TOTAL COMMITMENTS		3,167,260	3,437,510	270,250	8.5	3,624,902	187,392	5.5
EXPENDITURES		3,190,229	3,489,950	299,721	9.4	3,606,170	116,220	3.3
ACCRUED COST		3,183,662	3,437,510	253,848	8.0	3,624,902	187,392	5.5

This program activity covers postal operations including delivery services at all post offices below the largest 176 offices. The resource requirements reflected in this estimate include personnel salaries and related costs of postmasters, supervisors, clerks, carriers, rural carriers, and special delivery messengers.

WINDOW AND COLLECTION SERVICES - LARGE OFFICES
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
				Amount	Pct.		Amount	Pct.
MANPOWER								
1. Positions		25,996	24,041	- 1,955	-7.5	24,184	143	0.6
2. Man-years.....		25,543	23,932	- 1,611	-6.3	24,065	133	0.6
COMMITMENTS (\$000)								
A. Window and Vending Services.....	2	161,447	173,132	11,685	7.2	183,057	9,925	5.7
B. Collection Service.....	7	32,938	35,116	2,178	6.6	37,354	2,238	6.4
C. Support Services	11	82,396	79,279	- 3,117	-3.8	84,046	4,767	6.0
TOTAL COMMITMENTS.....		276,781	287,527	10,746	3.9	304,457	16,930	5.9
EXPENDITURES.....		277,332	292,999	15,667	5.6	302,865	9,866	3.4
ACCRUED COST.....		278,043	287,527	9,484	3.4	304,457	16,930	5.9

This program activity covers all window, box delivery and collection services performed in the 176 largest post offices, as well as services provided to patrons for scheduled and non-scheduled collection from public receptacles, business facilities, and postal stations and branches. Resource

requirements include salaries and related expenses of supervisors, clerks and city carriers as well as the routine minor maintenance and servicing of automatic vending equipment within the post office lobbies and the self-service units installed as drive-up and mall type units, and the cost of all contract stations and branches.

DELIVERY SERVICES - LARGE OFFICES
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
				Amount	Pct.	Amount	Pct.	Amount	Pct.
<u>MANPOWER</u>									
1. Positions		69,283	68,207	-1,076	-1.6	68,016	-	191	-0.3
2. Man-years		71,181	69,907	-1,274	-1.8	69,710	-	197	-0.3
<u>COMMITMENTS (\$000)</u>									
A. City Delivery	2	563,023	608,309	45,286	8.0	642,056		33,747	5.5
B. Special Delivery	6	43,948	46,606	2,658	6.0	49,107		2,501	5.4
C. Rural Delivery Routes	10	12,274	13,681	1,407	11.5	14,390		709	5.2
D. Support Services	14	101,147	109,534	8,387	8.3	115,339		5,805	5.3
<u>TOTAL COMMITMENTS</u>		720,392	778,130	57,738	8.0	820,892		42,762	5.5
<u>EXPENDITURES</u>		725,240	792,370	67,130	9.3	816,868		24,498	3.1
<u>ACCRUED COSTS</u>		724,138	778,130	53,992	7.5	820,892		42,762	5.5

This category includes the following services at the 176 largest post offices:

- 1) Single trip delivery service.
- 2) Multi-trip delivery service.
- 3) Parcel post delivery service.
- 4) Special delivery service.
- 5) Rural delivery service.

Resources include personnel compensation, fringe benefits, uniform allowances, drive out agreements, equipment maintenance allowances, travel and training. Provision for supervision of the city delivery service activity is included in the processing of mail category.

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CATEGORY III - DELIVERY SERVICES - LARGE OFFICES

PROCESSING OF MAIL - LARGE OFFICES
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
				Amount	Pct.		Amount	Pct.
MANPOWER								
1. Positions.....		243, 877	242, 133	- 1, 744	- 0. 7	228, 386	- 13, 747	-5. 7
2. Man-years.....		240, 485	239, 378	- 1, 107	- 0. 5	230, 246	- 9, 132	-3. 8
COMMITMENTS (\$000)								
A. Platform Operations.....	2	302, 800	328, 690	25, 890	8. 6	350, 620	21, 930	6. 7
B. Mail Preparation	7	69, 151	74, 913	5, 762	8. 3	77, 245	2, 332	3. 1
C. Mail Distribution	12	1, 642, 748	1, 788, 906	146, 158	8. 9	1, 837, 181	48, 275	2. 7
D. Support Services.....	18	438, 067	492, 021	53, 954	12. 3	528, 518	36, 497	7. 4
<u>TOTAL COMMITMENTS</u>		<u>2, 452, 766</u>	<u>2, 684, 530</u>	<u>231, 764</u>	<u>9. 4</u>	<u>2, 793, 564</u>	<u>109, 034</u>	<u>4. 1</u>
<u>EXPENDITURES</u>		<u>2, 475, 032</u>	<u>2, 728, 869</u>	<u>253, 837</u>	<u>10. 3</u>	<u>2, 781, 708</u>	<u>52, 839</u>	<u>1. 9</u>
<u>ACCRUED COST</u>		<u>2, 465, 974</u>	<u>2, 684, 530</u>	<u>218, 556</u>	<u>8. 9</u>	<u>2, 793, 564</u>	<u>109, 034</u>	<u>4. 1</u>

This program account includes those functions involved in the processing of all classes of incoming and outgoing mail in the 176 largest post offices and in railway and highway post offices.

2/11/72

CATEGORY IV - PROCESSING OF MAIL - LARGE OFFICES

TRANSPORTATION
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
				Amount	Pct.		Amount	Pct.
MANPOWER								
1. Positions		8,052	8,130	78	1.0	8,260	130	1.6
2. Man-years		8,219	8,400	181	2.2	8,534	134	1.6
COMMITMENTS (\$000)								
A. Local Transportation Service	2	88,143	95,631	7,488	8.5	100,629	4,998	5.2
B. Intercity Transportation	7	526,645	546,168	19,523	3.7	573,382	27,214	5.0
C. International Transportation	10	171,828	171,299	- 529	-0.3	160,111	-11,188	-6.5
D. Support Services	12	11,917	12,935	1,018	8.5	14,062	1,127	8.7
TOTAL COMMITMENTS		798,533	826,033	27,500	3.4	848,184	22,151	2.7
EXPENDITURES		791,430	825,341	33,911	4.3	846,569	21,228	2.6
ACCRUED COST		798,967	826,033	27,066	3.4	848,184	22,151	2.7

This program activity covers the transportation of non-local mail via commercial carriers and vehicles operated by the Postal Service within the United States, by commercial carriers from the United States to foreign countries, and the payment to foreign countries for United States International Mail transited through their country. The resource requirements reflected in this estimate include these transportation payments and salaries and related costs of supervisors and carrier and vehicle drivers.

2/10/72

CATEGORY V - TRANSPORTATION

LAW ENFORCEMENT
1971 - 1973

ITEM	Page Ref.	1971	1972	Increase		1973	Increase	
		(Actual)	(Estimate)	Amount	Pct.	(Estimate)	Amount	Pct.
<u>MANPOWER</u>								
1. Positions.....		2, 161	5, 286	3, 125	144.6	7, 033	1, 747	33.0
2. Man-years.....		2, 026	3, 891	1, 865	92.1	6, 268	2, 377	61.1
<u>COMMITMENTS (\$000)</u>								
A. Postal Crimes and Prohibited Mailings .	3	24, 132	47, 610	23, 478	97.3	75, 192	27, 582	57.9
B. Administration	10	8, 161	8, 381	220	2.7	10, 354	1, 973	23.5
C. Miscellaneous Services.....	16	3, 840	4, 831	991	25.8	5, 061	230	4.7
<u>TOTAL COMMITMENTS</u>		36, 133	60, 822	24, 689	68.3	90, 607	29, 785	49.0
<u>EXPENDITURES</u>		35, 949	59, 952	24, 003	66.7	89, 167	29, 215	48.7
<u>ACCRUED COST</u>		36, 291	60, 822	24, 531	67.6	90, 607	29, 785	48.9

This program activity covers the enforcement of postal laws, participation in the Combined Federal Strike Forces against organized crime, the development of security programs for postal personnel and property, the use of scientific and technological devices to fight crime, and related administrative and support functions.

The resource requirements reflected in this estimate include salaries and related costs of postal inspectors, security force personnel, and support and administrative personnel, contractual services, and miscellaneous expenses.

Postal crimes continue to increase. The Postal Inspection Service expended 68.2 percent of its manpower in Fiscal Year 1971 on criminal investigations. This resulted in an all-time record high of 18, 813 arrests, an increase of 8.0 percent over the prior year. Convictions were 98.0 percent.

The Inspection Service participates actively in Combined Government Strike Force units combating organized crime. Postal Inspectors are assigned to 17 of the 18 units established by the Department of Justice. In addition, a significant number of other Postal Inspectors devote time to organized crime investigation.

2/15/72

CATEGORY VI - LAW ENFORCEMENT

There is increasing sophistication in criminal technique and methodology. This development has generated a need for an increase of personnel in the area of applied science and technology. An extensive program for field testing, closed circuit television, surveillance devices, computer applications, safes, vaults, burglar alarms, and other measures will continue to be instituted including broader technological support to the plant security program.

Beginning in Fiscal Year 1971, the Inspection Service was assigned the responsibility for the major effort to improve security for postal personnel and postal property. In the area of Major Facilities a continuing need exists for new positions to implement this effort. Surveys to determine security needs have been conducted in many major post offices or postal facilities and will continue at a planned

rate of about 250 surveys in 12 different geographical locations per fiscal year through Fiscal Year 1975. Where warranted a uniformed security force will be established at each surveyed facility. Postal Inspectors will initially assist in training the force and thereafter will be responsible for continuing liaison among the security force, other postal elements, and the law enforcement community.

The Postal Service Security Force has been expanded to provide perimeter security at Postal Service operated buildings housing Federal District and/or Circuit Court facilities throughout the United States. This effort was begun in Fiscal Year 1971. Additional positions are required in Fiscal Year 1973 to meet the requirements of the program which are determined by the Inspection Service in close liaison with the Department of Justice.

RESEARCH, DEVELOPMENT, AND ENGINEERING
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
				Amount	Pct.	Amount	Pct.	Amount	Pct.
MANPOWER									
1. Positions		534 ^{1/2}	179	- 355	-66.5	199	20	20	11.2
2. Man-years		584	169	- 415	-71.1	189	20	20	11.8
COMMITMENTS (\$000)									
A. General Research	2	9,294	12,119	2,825	30.4	15,092	2,973	2,973	24.5
B. Applied Research and Development	5	37,175	49,828	12,653	34.0	59,124	9,296	9,296	18.7
C. Engineering	9	13,012	17,654	4,642	35.7	23,541	5,887	5,887	33.4
D. Administration	13	2,478	3,746	1,268	51.2	4,411	665	665	17.8
TOTAL COMMITMENTS		61,959	83,347	21,388	34.5	102,168	18,821	18,821	22.6
EXPENDITURES		59,248	75,613	16,365	27.6	91,369	15,756	15,756	20.8
ACCRUED COST		59,251	75,698	16,467	27.8	91,408	15,710	15,710	20.8

This account covers the conduct of research and development through applied research and development, construction engineering, and field industrial engineering. The resource requirements reflected in this estimate include salaries and related costs, contractual services, and miscellaneous expenses.

^{1/} Includes 300 positions being financed in 1972 under Category VIII - Administration

ADMINISTRATION
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
				Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>								
1. Positions		31,929	30,801	- 1,128	- 3.5	33,191	2,390	7.8
2. Man-years		34,201	30,855	- 3,346	- 9.8	33,751	2,896	9.4
<u>COMMITMENTS (\$000)</u>								
A. National Headquarters Administration ..	2	80,390	95,604	15,214	18.9	-118,493	22,889	23.9
B. Regional and Intermediate Headquarters Administration	11	71,760	40,626	- 31,134	-43.4	45,817	5,191	12.8
C. Post Office Administration	17	296,845	310,633	13,788	4.6	347,075	36,442	11.7
D. Other Administrative Costs	25	56,611	261,871	205,260	...	231,323	-30,548	-5.4
E. Administration of Postal Rates	28	447	1,733	1,286	...	2,341	608	35.1
<u>TOTAL COMMITMENTS</u>		506,053	710,467	204,414	40.4	745,049	34,582	4.9
<u>EXPENDITURES</u>		509,395	565,458	56,063	11.0	611,560	46,102	8.2
<u>ACCRUED COST</u>		542,241	633,958	91,655	16.9	712,510	78,552	12.4

This program activity covers administrative and support functions at national and regional headquarters and in the 176 largest post offices. The resource requirements reflected in this estimate include personnel-related costs, training,

contractual services, claims, indemnities and financial adjustments, payments for workmen's and unemployment compensation, accrued annual leave and miscellaneous expenses.

LOGISTICAL POSTAL SUPPORT
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
				Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>								
1. Positions		33,750	36,423	2,673	7.9	37,537	1,114	3.1
2. Man-years		34,383	37,060	2,677	7.8	38,192	1,132	3.1
<u>COMMITMENTS (\$000)</u>								
a. Capital Investment	2	235,402	1,074,322	838,920	356.4	1,327,253	252,931	23.5
b. Expense	46	760,092	901,156	141,064	18.6	989,927	88,771	9.9
<u>TOTAL COMMITMENTS</u>		995,494	1,975,478	979,984	98.4	2,317,180	341,702	17.3
<u>EXPENDITURES</u>		1,002,336	1,389,742	387,406	38.7	1,423,898	34,156	2.5
<u>ACCRUED COSTS</u>		761,402	900,880	139,478	18.3	989,651	88,771	9.9

2/15/72

CATEGORY IX - LOGISTICAL POSTAL SUPPORT

CAPITAL INVESTMENT
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
				Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>								
1. Positions		243	251	8	3.3	251	...	...
2. Man-years		250	251	1	0.4	251	...	...
<u>COMMITMENTS (\$000)</u>								
1. Facilities	3	114,609	671,950	557,341	486.3	685,117	13,167	2.0
2. Mail Processing Equipment	8	67,823	311,123	243,300	358.7	544,943	233,820	75.2
3. Vehicles	17	28,255	39,867	11,612	41.1	41,118	1,251	3.1
4. Customer Services Equipment	27	4,519	16,620	12,101	267.8	18,695	2,075	12.5
5. Postal Support Equipment	30	20,196	33,337	13,141	65.1	35,955	2,618	7.9
6. Debt Discount and Expense	45	...	1,425	1,425	...	1,425	...	...
<u>TOTAL COMMITMENTS</u>		235,402	1,074,322	838,920	356.4	1,327,253	252,931	23.5
<u>EXPENDITURES</u>		251,028	470,135	219,107	87.3	491,941	21,806	4.6

2/11/72

CAPITAL INVESTMENT - IX-A

FACILITIES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000)							
a. Construction.....	82,654	584,695	502,041	607.4	561,217	-23,478	- 4.0
b. Building Improvements - Owned.....	28,194	50,196	22,002	78.0	77,800	27,604	55.0
c. Building Improvements - Rented.....	3,761	37,059	33,298	885.4	46,100	9,041	24.4
TOTAL COMMITMENTS.....	114,609	671,950	557,341	486.3	685,117	13,167	2.0

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FACILITIES - IX-A-1

CONSTRUCTION
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
COMMITMENTS (\$000).....	82,654	584,695	502,041	607.4	561,217	-23,478	-4.0	

This program provides funds for planning, acquisition of sites, development of final plans, and construction of Postal Public Buildings. In addition, it includes funds for purchase of existing buildings to be used for postal operations, acquisition of sites for leased buildings, and Corps of Engineers support services. The total program for 1973 is \$561,217,000 a decrease of \$23,478,000 from the 1972 estimated requirements.

Bulk Mail Program - \$42,422,000

The National Bulk Mail System is comprised of 21 Bulk Mail Centers and 12 Auxiliary Service Facilities. The funds programmed in 1973 are to cover the cost of final construction phases on four buildings, and design and construction on the Service Facilities. Approximately \$2.0 million is included in the total requirements for Corps of Engineers support services.

The fixed mechanization requirements for this program in the amount of \$219.5 million are shown under Category IX-A-2a. The total construction and fixed mechanization requirement in 1973 for the Bulk Mail Program is \$262.0 million.

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CONSTRUCTION - IX-A-1a

Preferential and Other Projects - \$468,774,000

These funds are required for acquisition of sites, design contracts, and construction of buildings other than Bulk Mail Facilities. Included in the total is \$158,250,000 for facility projects under 50,000 square feet which are classified as minor projects. The Corps of Engineers support cost of \$23.0 million is included in the total funding requirements for 1973.

The fixed mechanization requirements of \$29.5 million associated with these buildings are shown under Category IX-A-2a. Exclusive of minor projects, the total construction and fixed mechanization requirement in 1973 for the preferential and other projects is \$340.0 million. (Construction \$310.5 million and mechanization \$29.5 million.)

Property Purchase - \$50,021,000

The Service will continue the activity initiated in 1972 of purchasing existing buildings for postal use where it has been determined from an economic standpoint to buy such facilities instead of providing the requirements under a lease agreement or new construction. This method is an immediate solution to updating postal requirements.

BUILDING IMPROVEMENTS - OWNED
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.		
WORKLOAD								
1. Number of Projects.....	700	1,000	300	42.9	1,500	500	50.0	
COMMITMENTS (\$000)	28,194	50,196	22,002	78.0	77,800	27,604	55.0	

USPS Building Improvements \$77,800,000:

(\$000's)

The funds in this program cover the investment in Capital Improvements to USPS Buildings. The funds are for procurement of land, for extension of buildings, improvements in existing buildings, and design fees for converting buildings to preferential mail processing facilities after removal of bulk mails.

The type of projects accomplished under this program are environmental, fire prevention, safety, security, and major and minor improvements for mail handling. An estimate of how these funds will be used for 1972 and 1973 follows:

	1971 Actual	1972 Estimate	1973 Estimate
Environmental	1,140	15,000	24,000
Fire Protection	12,760	5,000	3,000
Security .....	...	582	1,775
Design Fees .....	...	500	5,000
Improvements.....	14,294	29,114	44,025
Total	<u>28,194</u>	<u>50,196</u>	<u>77,800</u>

A total of approximately \$125 million is planned to be committed on improvements for owned (\$77.8 million) and leased (\$46.1 million) buildings.

2/10/72

BUILDING IMPROVEMENTS - OWNED
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
BUILDING IMPROVEMENTS - OWNED (\$000)							
1. Land Purchase.....	507	5,000	4,493	886.2	8,000	3,000	60.0
2. Building Improvements.....	27,687	45,196	17,509	63.2	69,800	24,604	54.4
TOTAL BUILDING IMPROVEMENTS - OWNED.....	28,194	50,196	22,002	78.0	77,800	27,604	55.0

2/11/72 BUILDING IMPROVEMENTS - OWNED - IX-A-1b - RESOURCE REQUIREMENTS

BUILDING IMPROVEMENTS - RENTED
1971 - 1973

ITEM	1971	1972	1973		Increase	
	(Actual)	(Estimate)	(Estimate)	1973	1973	1973
COMMITMENTS (\$000)	3,761	37,059	46,100	46,100	Amount	Pct.
					9,041	24.4

Building Improvements \$46,100,000:

(\$000 's)

	1971	1972	1973
	Actual	Estimate	Estimate
Environmental.....	...	10,000	15,000
Fire Protection.....	1,550	8,628	4,783
Security.....	...	727	650
Total Design Fees..	...	500	5,000
Improvements.....	2,211	17,204	20,667
Total.....	3,761	37,059	46,100

Funds in the program are to cover capitalized cost of improvements and alterations in leased buildings. Types of projects accomplished under this program are similar to those financed under the Building Improvements - Owned program, and are environmental, fire protection, safety, security, design fees for converting leased facilities to preferential mail processing buildings after removal of bulk mails, and improvements to working conditions and methods. Approximately \$20.0 million of the total is planned for environment and fire protection projects. An estimate of how the funds for 1972 and 1973 will be committed follows:

2/6/72

BUILDING IMPROVEMENTS - RENTED - IX-A-1c

MAIL PROCESSING EQUIPMENT
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
COMMITMENTS (\$000)								
a. Fixed Mechanization.....	58,656	229,823	171,167	291.8	269,409	39,586	17.2	
b. Non-fixed Mechanization.....	2,954	67,026	64,072	...	252,465	185,439	276.7	
c. Other Mail Handling Equipment.....	6,213	14,274	8,061	129.7	23,069	8,795	61.6	
TOTAL COMMITMENTS	67,823	311,123	243,300	358.7	544,943	233,820	75.2	

FIXED MECHANIZATION
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
COMMITMENTS (\$000)	58,656	229,823	171,167	291.8	269,409	39,586	17.2	

The funds in the program are for new mechanized systems to be installed in bulk and preferential mail facilities and additions and modifications to existing mechanized systems.

New Projects

The estimated funds in 1973 required for new systems amount to \$249 million. Over \$219 million is programmed

for systems planned for the buildings in the National Bulk Mail System and \$30 million scheduled for preferential and other type facilities.

Additions and Modifications

Due to changes in mail handling systems and advances in technology the service plans to expend \$20,361,000 in 1973 for updating existing mechanized systems.

FIXED MECHANIZATION SYSTEMS
 Research Requirements
 1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	(Estimate)	Amount	Pct.
<u>FIXED MECHANIZED SYSTEMS (\$000)</u>								
New Projects.....	55,066	220,780	165,714	300.9	249,048	28,268	12.8	
Additions, Alterations and Changes, FMS.....	3,590	9,043	5,453	151.9	20,361	11,318	125.2	
TOTAL FIXED MECHANIZED SYSTEMS.....	58,656	229,823	171,167	291.8	269,409	39,586	17.2	

NON-FIXED MECHANIZATION
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	1973		Increase	
			(Estimate)	(Estimate)	Amount	Pct.
COMMITMENTS (\$000).....	2,954	67,026	252,465	64,072	...	276.7

This account covers the investment in non-fixed mechanized mail handling systems. The systems are made in identical models and can be moved within, or from plant to postal plant. The equipment consists of such items as culling and facing conveyors, facing and cancelling machines, letter sorting systems, multi-slide systems, parcel and sack sorters, loading and unloading conveyors, etc.

Following is a brief description of some of the major requirement items:

- 1) Facing and Cancelling Machines \$3,343,000; 23 Mark II facer/cancelers are planned in 1973 at a cost of \$943,000; 200 direct mail feed units at \$2,000,000 for updating existing systems and 200 indicia modification kits costing \$400,000 to speed canceling operations.
- 2) Letter Mail Code Sort Systems \$215,928,000: The U. S. Postal Service will begin implementation of a new Preferential Mail System in 1972. The system will provide a national network of highly mechanized preferential mail centers capable of processing preferential mail at efficiencies much greater than present systems.

These Preferential Mail Centers will be equipped with computer controlled Letter Mail Code Sort Systems, a test unit of which is now operating at Cincinnati. The Letter Mail Code Sort Systems include complete integrated operations, such as culling, facing and canceling, encoding sorting and automatic reading units in high volume centers. The system includes interface hardware between individual processing operations to minimize manual handling.

Installations are planned at four offices in 1972 and ten offices in 1973.

System components include new type mail preparation lines, code desks, letter sorting machines modified for the new operation, automatic reading units, units to sequence mail to carrier routes, computer control units, and supporting interface hardware.

8) Other minor investments include:

3) Letter Sorting Systems \$18,940,000: Included in the 1973 program is \$15,330,000 for 266 letter sorting machines, \$2,970,000 for modification kits, and \$640,000 for Ziptronic Mail Translator Scheme Conversion Kits for 80 installations.

4) Other mechanized program equipment \$1,310,000: This requirement will provide training equipment for the Bulk Mail Facilities Program.

5) Loading and Unloading Conveyors \$2,414,000: 162 units are planned for procurement in 1973 to facilitate loading and unloading of mail trucks.

6) Sacks and Pouch Label Machines \$5,600,000: This investment is for Magnetic Tape Controlled Label Printing Systems which, when fully implemented, will reduce the United States Postal Service Label Printing units to two (2) and will effect an estimated annual savings \$2 million.

7) Other mail handling support equipment \$2,200,000: Implementation of the Preferential and Bulk Mail Systems require investment in training and supplemental equipment to support installation of mechanized systems.

<u>Item</u>	<u>Units</u>	<u>Estimated Cost (\$000)</u>
Culling and facing conveyors	7	37
Culling machines	48	687
Multi-slide systems	35	483
Parcel sorters	1	22
Stacker-feeder systems	94	545
Portable conveyors	252	933
Short and long stackers	40	14
Tying machines	30	9

NON-FIXED MECHANIZED MAIL HANDLING SYSTEMS
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
NON-FIXED MECHANIZED MAIL HANDLING SYSTEMS (\$000)								
Mechanization Support Equipment								
Culling and facing conveyors.....	...	578	578	...	37	-	541	-93.6
Culling machines.....	...	1,137	1,137	...	687	-	450	-39.6
Facing and cancelling machines.....	123	2,973	2,850	...	3,343	370	12.4	
Letter Mail Code Sort Systems.....	...	32,174	32,174	...	215,928	183,754	571.1	
Letter sorting systems.....	1,138	16,173	15,035	...	18,940	2,767	17.1	
Multi-slide systems.....	367	1,565	1,198	326.4	483	-	1,082	-69.1
Parcel sorters.....	...	43	43	...	22	-	21	-48.8
Stacker-feeder systems.....	...	1,218	1,218	...	545	-	673	-55.3
Other mechanized program equipment.....	54	600	546	...	1,310	710	118.3	
Subtotal Mechanization Support Equipment.....	1,682	56,461	54,779	...	241,295	184,834	327.4	
Mail Handling Support Equipment								
Loading and unloading conveyors.....	...	7,681	7,681	...	2,414	-	5,267	68.6
Portable conveyors.....	1,240	648	- 592	47.7	933	285	44.0	
Sack and pouch label machines.....	...	...	...	...	5,600	5,600	...	
Short and long stackers.....	...	29	29	...	14	-	15	51.7
Tying machines.....	27	7	- 20	74.1	9	2	28.6	
Other mail handling support equipment.....	5	2,200	2,195	...	2,200	...	...
Subtotal Mail Handling Support Equipment.....	1,272	10,565	9,293	730.6	11,170	605	5.7	
TOTAL NON-FIXED MECHANIZED MAIL HANDLING SYSTEMS.....	2,954	67,026	64,072	...	252,465	185,439	276.7	

2/10/72 NON-FIXED MECHANIZED MAIL HANDLING SYSTEMS - IX-A-2b - RESOURCE REQUIREMENTS

OTHER MAIL HANDLING EQUIPMENT
1971 - 1973

ITEM	1971	1972		1973		Increase	
	(Actual)	(Estimate)	Amount	Pct.	(Estimate)	Amount	Pct.
COMMITMENTS (\$000).....	6, 213	14, 274	8, 061	129. 7	23, 069	8, 795	61. 6

This account covers standard items of equipment required for transport, distribution, and delivery of the mails. Major requirements items are:

1) Containers-Bulk Mail Facilities \$9, 000, 000: This will provide for special containers to be used exclusively for the movement of bulk mail from and to the bulk facility and allows for automated movement and handling within the bulk facility which will increase personnel safety protection and eliminate laborous manual movement.

2) The increase in these items as shown in the following table reflects a continuation, or slight increase in normal investment levels which rely more on small labor saving devices, or in the case of distribution cases and stands equipment replacement and continual growth in volume:
 Hand and Platform Trucks..... \$1, 000, 000
 Distribution Cases and Stands 2, 800, 000
 City Delivery Carts 1, 090, 000

3) Experimental Delivery Equipment \$3, 000, 000: This requirement will fund new types of delivery equipment if experimental methods of delivery now under test prove acceptable. Unusual savings in alternate methods of delivery will definitely accrue if the new methods are implemented.

4) All other requirements remain at normal rate of required investment for Material Transport, Workroom Furniture, and City Delivery Service Equipment.

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OTHER MAIL HANDLING EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971	1972	Increase		1973	Increase	
	(Actual)	(Estimate)	Amount	Pct.	(Estimate)	Amount	Pct.
OTHER MAIL HANDLING EQUIPMENT (\$000)							
Material Transport Equipment							
Batteries, battery charges & motors + 3 HP.....	137	...	- 137	...	276	276	...
Containers - Bulk mail facilities .....	...	3,000	3,000	...	9,000	6,000	200.0
Hamper dumpers	150	100	- 50	-33.3	100	...	...
Hand and platform trucks	588	1,000	412	70.1	1,000	...	...
Industrial and baggage type trailers.....	182	125	- 57	-31.3	125	...	...
Inter-communications equipment	151	100	- 51	-33.8	100	...	...
Platform and yard equipment.....	431	300	- 131	-30.4	300	...	...
Scooters, electric	4	10	6	150.0	10	...	...
Skids	14	30	16	114.3	30	...	...
Tractors, lifts and forklifts (electric).....	287	250	- 37	-12.9	628	378	151.2
Tray carts	76	500	424	557.9	500	...	...
Utility carts	662	600	- 62	-9.4	600	...	...
Other carts (other than utility and tray).....	12	50	38	316.7	450	400	800.0
Other material transport equipment.....	78	400	322	412.8	450	50	12.5
Subtotal Material Transport Equipment	2,772	6,465	3,693	133.2	13,569	7,104	109.9
Workroom Furniture and Equipment							
Distribution cases and stands	2,738	2,000	- 738	-27.0	2,800	800	40.0
Parcel post rewrap equipment.....	18	150	132	733.3	125	- 25	-16.7
Pouch racks	32	200	168	525.0	200	...	...
Stools, adjustable platform .....	...	200	200	...	200	...	...
Stools, small .....	...	100	100	...	100	...	...
Steel shelving .....	...	400	400	...	400	...	...
Worktables, desks and similar equipment.....	249	400	151	60.6	400	...	...
Other workroom furniture and equipment.....	16	1,100	1,084	...	650	- 450	-40.9
Subtotal Workroom Furniture and Equipment	3,053	4,550	1,497	49.0	4,875	325	7.1

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OTHER MAIL HANDLING EQUIPMENT - IX-A-2c - RESOURCE REQUIREMENTS

OTHER MAIL HANDLING EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
OTHER MAIL HANDLING EQUIPMENT (\$000)							
City Delivery Service Equipment							
City delivery carts.....	6	600	594	...	1,090	490	81.7
Combination collection boxes.....	...	400	400	...	342	- 58	-14.5
Containers for parcel post shuttle.....	332	...	- 332	...	...	...	...
Co-op racks.....	45	15	- 30	-66.7	41	26	173.3
Experimental delivery equipment.....	...	2,000	2,000	...	3,000	1,000	50.0
Motorist mail chutes.....	...	42	42	...	34	- 8	-19.0
Relay boxes.....	...	2	2	...	20	18	900.0
Other city delivery service equipment.....	5	200	195	...	98	- 102	-51.0
Subtotal City Delivery Service Equipment.....	388	3,259	2,871	739.9	4,625	1,366	41.9
TOTAL OTHER MAIL HANDLING EQUIPMENT.....	6,213	14,274	8,061	129.7	23,069	8,795	61.6

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OTHER MAIL HANDLING EQUIPMENT - IX-A-2c - RESOURCE REQUIREMENTS

VEHICLES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
WORKLOAD							
Number of Vehicles.....	10,595	13,034	2,439	23.0	12,467	- 567	- 4.4
COMMITMENTS (\$000)							
a. Carrier Motorization.....	22,154	28,303	6,149	27.8	24,728	-3,575	-12.6
b. Bulk Transfer	2,388	7,328	4,940	206.9	12,605	5,277	72.0
c. Law Enforcement	631	61	- 570	-90.3	110	49	80.3
d. Other Vehicles.....	936	747	- 189	-20.2	1,458	711	95.2
e. Vehicle Auxiliary Equipment	98	228	130	132.7	225	- 3	- 1.3
f. Freight - Motor Vehicles.....	2,048	3,200	1,152	56.3	1,992	-1,208	-37.8
TOTAL COMMITMENTS.....	28,255	39,867	11,612	41.1	41,118	1,251	3.1

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VEHICLES - IX-A-3

CARRIER MOTORIZATION VEHICLES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>WORKLOAD</u>							
Number of Vehicles.....	9,804	11,452	1,648	16.8	9,184	-2,268	-19.8
COMMITMENTS (\$000)	22,154	28,303	6,149	27.8	24,728	-3,575	-12.6

This account covers the investment in motor vehicles to support the motorization of carrier routes. Resource requirements reflected in this activity include the cost of vehicles to be used on new carrier routes, replacement of over-age and hired vehicles and motorization of existing foot routes.

Planned Procurement in 1973

- Totals 9,184 vehicles at a cost of \$24,728,000
- 1,495 Vehicles for New Routes..... \$ 3,985,000
- 4,918 Vehicles for Replacement..... 13,791,000
- 1,859 Vehicles to Motorize Foot Routes..... 4,613,000
- 912 Vehicles to Replace Hired Vehicles..... 2,339,000

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CARRIER MOTORIZATION VEHICLES - IX-A-3a

CARRIER MOTORIZATION VEHICLES
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
CARRIER MOTORIZATION VEHICLES (\$000)							
Sedan, (LHD) delivery wagon.....	...	1,076	1,076	...	1,516	440	40.9
Truck, (LHD) light delivery	3,127	3,452	325	10.4	2,735	- 717	-20.8
Truck, (RHD) light delivery	11,247	13,804	2,557	22.7	7,462	-6,342	-45.9
Truck, (RHD) $\frac{1}{2}$ ton.....	7,780	9,971	2,191	28.2	13,015	3,044	30.5
TOTAL CARRIER MOTORIZATION VEHICLES	22,154	28,303	6,149	27.8	24,728	-3,575	-12.6

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CARRIER MOTORIZATION VEHICLES - IX-A-3a - RESOURCE REQUIREMENTS

BULK TRANSFER VEHICLES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>WORKLOAD</u> Number of Vehicles.....	273	1,309	1,036	379.5	2,863	1,554	118.7
COMMITMENTS (\$000)	2,388	7,328	4,940	206.9	12,605	5,277	72.0

This account covers the investment in motor vehicles used for intra- and inter-city transport of the mails. Resource requirements reflected in this activity include replacements of average equipment, new service, and replacement of hired vehicles.

Planned for Fiscal Year 1973 are 2,863 vehicles for this activity at a cost of \$12,605,000:

- 2,590 Vehicles are for replacement..... \$10,894,000
- 250 Vehicles are for new service..... 1,557,000
- 23 Vehicles replace vehicle hire..... 154,000

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BULK TRANSFER VEHICLES - IX-A-3b

BULK TRANSFER VEHICLES
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)		1972 (Estimate)		Increase		1973 (Estimate)		Increase	
					Amount	Pct.	Amount	Pct.	Amount	Pct.
BULK TRANSFER VEHICLES (\$000)										
1 - Ton Truck.....	...	2,077	2,077	2,077	2,077	...	7,481	7,481	5,404	260.2
2½ - Ton Truck.....	...	376	376	376	376	...	3,108	3,108	2,732	726.6
5 - Ton Truck.....	1,014	1,459	1,459	1,459	445	43.9	227	227	-1,232	-84.4
Tractors.....	816	1,157	1,157	1,157	341	41.8	137	137	-1,020	-88.2
Spotter Tractors.....	260	268	268	268	8	3.1	300	300	32	11.9
Trailers - Mail Haul.....	298	1,991	1,991	1,991	1,693	568.1	1,352	1,352	- 639	-32.1
TOTAL BULK TRANSFER VEHICLES.....	2,388	7,328	7,328	7,328	4,940	206.9	12,605	12,605	5,277	72.0

2/6/72 BULK TRANSFER VEHICLES - IX-A-3b - RESOURCE REQUIREMENTS

LAW ENFORCEMENT VEHICLES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
WORKLOAD Number of Vehicles.....	228	25	-203	-89.0	38	13	52.0	
COMMITMENTS (\$000)	631	61	-570	-90.3	110	49	80.3	

This account covers the program which provides high performance police-type vehicles for the Inspection Service.

The 1973 Program will provide 38 vehicles at a cost of \$110,000:

- 13 Vehicles for replacement..... \$38,000
- 25 Vehicles for new service..... 72,000

OTHER VEHICLES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
WORKLOAD								
Number of Vehicles.....	290	248	-42	-14.5	382	134	54.0	
COMMITMENTS (\$000)	936	747	-189	-20.2	1,458	711	95.2	

This account covers the investment in vehicles used in maintaining and servicing the fleet, for facilities maintenance, USFS Plant Protection Program, and the Federal Courts Security Program which is fully reimbursable to the USFS.

Planned Procurement for 1973 totals 382 vehicles costing \$1,458,000:

- 283 Vehicles for the Maintenance/Service, \$1,180,000
- 76 Vehicles for Plant Protection 190,000
- 23 Vehicles for Court Security 88,000

In the Maintenance/Service Program 266 of the vehicles are planned for replacement and 17 for new service. Of the 76 vehicles for the Plant Protection 52 will be for new service and 24 for replacement. All 23 vehicles for the Court Security Program will be used for replacement.

OTHER VEHICLES
Resource Requirements
1971 - 1973

ITEM	1971		1972		Increase		1973		Increase	
	(Actual)	(Estimate)	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
OTHER VEHICLES (\$000)										
Truck, Pickups.....	402	211	-191	-47.5	221	10	4.7			
Truck, Stake (4x4).....	183	88	-95	-51.9	278	190	215.9			
Truck, Stake (4x2).....	135	91	-44	-32.6	104	13	14.3			
Panel, 1-Ton.....	67	130	63	94.0	212	82	63.1			
Truck, 5-Ton (Wrecker).....	84	50	-34	-40.5	239	189	378.0			
Truck, 1-Ton Pickup.....	...	79	79	...	126	47	59.5			
Truck, 3/4-Ton, Panel Van.....	...	...	...	...	18	18	...
Truck, Carryall (Forward Control).....	65	...	-65	...	70	70	...			
Sedans, 4 door Standard.....	...	98	98	...	190	92	93.9			
TOTAL OTHER VEHICLES	936	747	-189	-20.2	1,458	711	95.2			

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OTHER VEHICLES - IX-A-3d - RESOURCE REQUIREMENTS

VEHICLE AUXILIARY EQUIPMENT AND FREIGHT
1971 - 1973

ITEM	1971	1972	Increase		1973	Increase	
	(Actual)	(Estimate)	Amount	Pct.	(Estimate)	Amount	Pct.
COMMITMENTS (\$000).....	2, 146	3, 428	1, 282	59. 7	2, 217	-1, 211	-35. 3

This account covers the required investment for vehicle auxiliary equipment and the cost for transporting the vehicle from the manufacturer's plant to the using installation.

Vehicle auxiliary equipment, consisting of such items of equipment as power tailgates, trailer couplers, snow plows and other auxiliary equipment attached to the vehicles; will cost approximately \$225, 000 in 1973.

Freight costs to the first using installation are estimated at \$1, 992, 000.

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VEHICLE AUXILIARY EQUIPMENT AND FREIGHT - IX-A-3e

VEHICLE AUXILIARY EQUIPMENT AND FRIEGHT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.
VEHICLE AUXILIARY EQUIPMENT (\$000)						
Snowplows for attachment to vehicles.....	...	30	30	...	-	-16.7
Power tailgates	55	125	70	127.3	15	12.0
Trailer couplers	10	15	5	50.0	-	-33.3
Service trailers	10	20	10	100.0	...	...
Other vehicle auxiliary equipment.....	23	38	15	65.2	-	21.1
Subtotal Vehicle Auxiliary Equipment.....	98	228	130	132.7	-	-1.3
Freight, motor vehicles	2,048	3,200	1,152	56.3	-1,208	-37.8
TOTAL VEHICLE AUXILIARY EQUIPMENT AND FRIEGHT, MOTOR VEHICLES.....	2,146	3,428	1,282	59.7	-1,211	-35.3

VEHICLE AUXILIARY EQUIPMENT AND FRIEGHT - IX-A-3e

2/6/72

CUSTOMER SERVICES EQUIPMENT
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
Lobby Equipment.....	2,802	5,492	2,690	96.0	6,644	1,152	21.0
Window Service Equipment.....	1,082	6,783	5,701	526.9	5,414	-1,369	-20.2
Self-Service Equipment.....	635	4,345	3,710	584.3	6,637	2,292	52.8
TOTAL COMMITMENTS.....	4,519	16,620	12,101	267.8	18,695	2,075	12.5

This activity includes USPS investment in lobby, window service and self-service equipment provided primarily for customer convenience in lobbies, at sales windows, and to allow the customer to serve himself.

Increased emphasis initiated in 1972 on self-service equipment will continue in 1973. Reorganization under the USPS created a new emphasis on customer service through the creation of the Customer Services Group at Headquarters and in the Postal Regions. Present plans provide for 500 self-service postal units in 1972 and 600 in 1973.

Major items of investment are:

1) Lock Boxes \$5,606,000: This is a near normal investment in this type of equipment to meet customers' needs for box delivery in new and existing facilities. Lock box revenue for 1971 was \$48,902,481 (a 10.9 percent increase over 1970).

2) Money Order Machines and Related Equipment \$1,055,000: This will provide for extension of optical character reader imprinters to more sales windows throughout the postal service.
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3) Other Window Service Equipment \$1,414,000: Included in this requirement is equipment necessary to optimize lobby window service which includes clerk operated stamp dispensing units, stamp booklet vendors, automated scale registers and other equipment items to increase window service efficiency.

4) Core Units \$1,350,000: These units are used in self-service equipment. In 1972 we will meet most of these requirements from inventories on hand. Therefore, replenishment and new requirements for about 300 mall-type self-service installations cause more investment in Fiscal Year 1973.

5) Vending Machines - 3 postage value..... \$1,100,000
Vending Machines - 5 postage value..... 1,140,000
Vending Machines - multi-commodity.... 1,260,000

Other areas of requirements remain relative the same in investment.

CUSTOMER SERVICES EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
CUSTOMER SERVICES EQUIPMENT (\$000)							
Lobby Equipment							
Bulletin boards.....	39	162	123	315.4	201	39	24.1
Bronze castings and sign plates.....	...	29	29	...	27	-	- 6.9
Desks, lobby.....	69	150	81	117.4	155	5	3.3
Lock boxes.....	2,319	4,521	2,202	95.0	5,606	1,085	24.0
Postal information signs.....	201	66	- 135	-67.2	64	-	- 3.0
Screenline.....	174	400	226	129.9	425	25	6.3
Other lobby equipment.....	...	164	164	...	166	2	1.2
Total Lobby Equipment.....	2,802	5,492	2,690	96.0	6,644	1,152	21.0
Window Service Equipment							
Automatic cashiers.....	...	79	79	...	90	11	13.9
Cabinets, stamp, form, etc.....	301	500	199	66.1	510	10	2.0
Counterline.....	220	825	605	275.0	925	100	12.1
Money order machines and related equipment.	2	3,764	3,762	...	1,055	-2,709	-72.0
Postage meters.....	378	403	25	6.6	420	17	4.2
Scales, all sizes (except SSPU).....	152	850	698	459.2	870	20	2.4
Stamp and cash drawers.....	29	125	96	331.0	130	5	4.0
Other window service equipment.....	...	237	237	...	1,414	1,177	496.6
Total Window Service Equipment.....	1,082	6,783	5,701	526.9	5,414	-1,369	-20.2

CUSTOMER SERVICES EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
CUSTOMER SERVICES EQUIPMENT Cont'd. (\$000)							
Self-Service Equipment							
Coin counting and sorting machines.....	...	200	200	...	300	100	50.0
Core units.....	374	441	67	17.9	1,350	909	206.1
Currency-coin change machines.....	...	289	289	...	450	161	55.7
Dispensing spare modules.....	...	26	26	...	39	13	50.0
Module test stand.....	...	16	16	...	18	2	12.5
Parcel depository.....	...	160	160	...	252	92	57.5
Scales - parcel post.....	...	160	160	...	258	98	61.3
Scales - letter, 16 ounce.....	...	5	5	...	8	3	60.0
Vending machines - 3 postage value.....	244	1,207	963	394.7	1,100	- 107	-8.9
Vending machines - 5 postage value.....	...	744	744	...	1,140	396	53.2
Vending machines - multi-commodity.....	...	840	840	...	1,260	420	50.0
Other self-service equipment.....	17	257	240	...	462	205	79.8
Total Self-Service Equipment	635	4,345	3,710	584.3	6,637	2,292	52.8
TOTAL CUSTOMER SERVICES EQUIPMENT.....	4,519	16,620	12,101	267.8	18,695	2,075	12.5

2/10/72 CUSTOMER SERVICES EQUIPMENT - IX-A-4 - RESOURCE REQUIREMENTS

POSTAL SUPPORT EQUIPMENT
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000)							
a. Administrative and General Support Equipment.....	12,239	18,620	6,381	52.1	19,305	685	3.7
b. Maintenance Equipment.....	3,928	3,177	- 751	- 19.1	3,618	441	13.9
c. Automatic Data Processing Equipment.....	266	4,880	4,614	...	5,640	760	15.6
d. Mail Equipment Shops.....	3,763	6,660	2,897	77.0	- 7,392	732	11.0
TOTAL COMMITMENTS.....	20,196	33,337	13,141	65.1	35,955	2,618	7.9

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POSTAL SUPPORT EQUIPMENT - IX-A-5

ADMINISTRATIVE AND GENERAL SUPPORT EQUIPMENT

1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.		
COMMITMENTS (\$000).....	12, 239	18, 620	6, 381	52.1	19, 305	685	3. 7	

This account covers such categories of equipment as office machines and furniture, instructional type equipment, protective equipment, personnel equipment, and equipment used in the Mail Equipment Shops and at mail bag repair centers and depositories.

Planned investment for these many categories of equipment totals \$19,305,000 in 1973. The major category of increase is in the orientation-instructional type equipment required to implement the current policy of increased effective instruction in all areas of the service.

Total investments, in building alterations and equipment at the USFS learning institutes in 1973 show:

- Oklahoma Postal Training Operation..... \$600,000
- Postal Service Management Institute..... 694,000
- Postal Academy Training Institute 505,000

The investment in the Postal Academy Training Institute is 90 percent reimbursable to the U. S. Postal Service.

ADMINISTRATIVE AND GENERAL SUPPORT EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
POSTAL SUPPORT EQUIPMENT (\$000)							
ADMINISTRATIVE AND GENERAL SUPPORT							
Office Machines and Equipment							
Accounting machines.....	88	50	- 38	-43.2	75	25	50.0
Adding machines.....	673	350	-323	-48.0	200	-150	-42.9
Addressograph machines.....	65	65	...	...	75	10	15.4
Calculators, desk type.....	658	515	-143	-21.7	300	-215	-41.7
Dictating machines.....	200	200	...	...	200	...	...
Duplicating machines.....	171	175	4	2.3	200	25	14.3
Filing equipment.....	283	350	67	23.7	200	-150	-42.9
Photocopying/photostat machines.....	485	500	15	3.1	500	...	...
Time recorders, electric.....	32	50	18	56.3	40	- 10	-20.0
Typewriters (other than data processing).....	787	525	-262	-33.3	500	- 25	- 4.8
Other office machines and equipment.....	109	420	311	285.3	398	- 22	- 5.2
Total Office machines and equipment.....	3,551	3,200	-351	- 9.9	2,688	-512	-16.0
Office Furniture							
Bookcases, compartments and complete units....	85	150	65	76.5	160	10	6.7
Cabinets and wardrobes.....	139	145	6	4.3	155	10	6.9
Chairs.....	535	750	215	40.2	800	50	6.7
Couches and davenportes.....	19	120	101	531.6	130	10	8.3
Desks.....	360	600	240	66.7	800	200	33.3
Rugs.....	154	150	- 4	- 2.6	175	25	16.7
Tables.....	191	175	- 16	- 8.4	200	25	14.3
Other office furniture.....	116	325	209	180.2	360	35	10.8
Total Office Furniture.....	1,599	2,415	816	51.0	2,780	365	15.1

2/6/72 ADMINISTRATIVE AND GENERAL SUPPORT EQUIPMENT - IX-A-5a - RESOURCE REQUIREMENTS

ADMINISTRATIVE AND GENERAL SUPPORT EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
ADMIN. AND GEN. SUPPORT EQUIP. Cont'd. (\$000)							
Orientation-Instructional Type Equipment							
Cabinets, carts, film storage, etc.....	7	30	23	328.6	40	10	33.3
Cameras, copy, movie, still	47	75	28	59.6	70	- 5	- 6.7
Communication sys., address, lecture, etc ..	32	1,200	1,168	...	1,575	375	31.3
Photo processing-darkroom equipment	3	75	72	...	80	5	6.7
Projectors, movie, slide, opaque, etc	125	200	75	60.0	225	25	12.5
Recorders, tape, TV, etc	62	35	- 27	-43.5	40	5	14.3
Simulator models	18	140	122	677.8	155	15	10.7
TV monitors	184	500	316	171.7	600	100	20.0
Other orientation -instructional equipment....	76	210	134	176.3	425	215	102.4
Total Orientation-Instructional Type Equipment...	554	2,465	1,911	344.9	3,210	745	30.2
<u>Protective Equipment</u>							
Burglar alarm systems.....	22	300	278	...	300	...	...
Financial enclosure and overhead wire.....	7	812	805	...	500	-312	-38.4
Firearms	61	113	52	85.2	83	- 30	-26.5
Safes	3,151	2,500	-651	-20.7	2,500	...	...
Vault entrances.....	152	461	309	203.3	474	13	2.8
Other protective equipment	349	327	- 22	- 6.3	475	148	45.3
Total Protective Equipment.....	3,742	4,513	771	20.6	4,332	-181	- 4.0
<u>MES and MBRU Equipment</u>							
Mail Equipment Shops equipment	89	262	173	194.4	445	183	69.8
Mail Bag Repair Units.....	154	300	146	94.8	300
Total MES and MBRU Equipment.....	243	562	319	131.3	745	183	32.6

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ADMINISTRATIVE AND GENERAL SUPPORT EQUIPMENT - IX-A-5a - RESOURCE REQUIREMENTS

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ADMINISTRATIVE AND GENERAL SUPPORT EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	1972		1973 (Estimate)	1973	
			Amount	Pct.		Amount	Pct.
ADMIN. AND GEN. SUPPORT EQUIP. Cont'd. (\$000)							
<u>Personnel Equipment</u>							
Civil defense equipment.....	2	100	98	...	75	- 25	-25.0
Employee cafeteria equipment.....	19	750	731	...	750	...	...
First aid cabinets.....	5	25	20	400.0	30	5	20.0
Lockers.....	447	600	153	34.2	700	100	16.7
Medical unit equipment.....	60	410	350	583.3	200	-210	-51.2
Photo identification equipment.....	6	150	144	...	175	25	16.7
Other personnel equipment.....	33	30	- 3	- 9.0	20	- 10	-33.4
Total Personnel equipment.....	572	2,065	1,493	261.0	1,950	-115	- 5.6
Freight - Undistributed.....	1,978	3,400	1,422	71.9	3,600	200	5.9
TOTAL ADMINISTRATIVE AND GENERAL SUPPORT	12,239	18,620	6,381	52.1	19,305	685	3.7

2/6/72 ADMINISTRATIVE AND GENERAL SUPPORT EQUIPMENT - IX-A-5a - RESOURCE REQUIREMENTS

MAINTENANCE EQUIPMENT
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
COMMITMENTS (\$000).....	3,928	3,177	-751	-19.1	3,618	441	13.9	

This activity includes the requirements for custodial equipment, maintenance shop equipment, building equipment, and vehicle maintenance equipment. Total maintenance equipment requirements, for 1973, increase 13.9 percent over 1972. Major areas contributing to the additional requirements are: (1) The increase of \$353,000 for Custodial Equipment relates to the anticipated increase in space that will require Custodial Service beginning in 1973. Items requiring increased investment in 1973 are floor polishers, \$60,000; mopping equipment, \$45,000; snowplows, \$200,000; power sweepers, \$30,000; and miscellaneous equipment, \$18,000. (2) The \$65,000 increase for Maintenance Shop equipment

reflects the change in maintenance required resulting from the installation of more sophisticated mail handling systems. The major increase is for electronic and other testing equipment. (3) The increase for Building Equipment investment of \$120,000 is nominal (14.1 percent), and is also representative of increased building space. Lift platforms required for building services increases \$25,000, localized general lighting \$30,000, and other miscellaneous building equipment \$65,000. (4) Required investment for Vehicle Maintenance equipment decreases slightly in 1973 - down \$97,000.

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MAINTENANCE EQUIPMENT - IX-A-5b

MAINTENANCE EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
POSTAL SUPPORT EQUIPMENT Cont'd. (\$000)								
<u>Maintenance Equipment</u>								
<u>Custodial Equipment</u>								
Custodial supply carts.....	31	30	- 1	3.2	43	13	43.3	
Floor polishers (Large electric).....	89	150	61	68.5	210	60	40.0	
Mopping equipment (tank type).....	22	30	8	36.4	75	45	150.0	
Snowplows.....	178	200	22	12.4	400	200	100.0	
Sweepers, power.....	233	70	-163	-70.0	100	30	42.9	
Vacuum cleaners (heavy duty).....	125	75	- 50	-40.0	85	10	13.3	
Other building maintenance equipment.....	226	125	-101	-44.7	120	- 5	- 4.0	
Total Custodial Equipment.....	904	680	-224	-24.8	1,033	353	51.9	
<u>Maintenance Shop Equipment</u>								
Electronic and other testing equipment.....	188	275	87	46.3	320	45	16.4	
Metal and woodworking machines.....	37	50	13	35.1	60	10	20.0	
Power tools.....	49	25	- 24	-49.0	40	15	60.0	
Other maintenance shop equipment.....	197	125	- 72	-36.5	120	- 5	- 4.0	
Total Maintenance Shop Equipment.....	471	475	4	0.8	540	65	13.7	
<u>Building Equipment</u>								
Air Conditioning units.....	386	200	-186	-48.2	200	...	...
Air compressors.....	15	20	5	33.3	35	15	75.0	
Emergency lighting and power.....	145	120	- 25	-17.2	125	5	4.2	
Fans.....	75	25	- 50	-66.7	20	- 5	-20.0	
Lift platforms.....	191	200	9	4.7	225	25	12.5	
Lighting, localized general.....	288	210	- 78	-27.1	240	30	14.3	
Other building equipment.....	437	75	-362	-82.8	125	50	66.7	
Total Building Equipment.....	1,537	850	-687	-44.7	970	120	14.1	

MAINTENANCE EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
MAINTENANCE EQUIPMENT Continued (\$000)							
Vehicle Maintenance Equipment							
Body repair units.....	20	30	10	50.0	35	5	16.7
Engine analysers.....	85	90	5	5.9	70	-20	-22.2
Engine repair equipment.....	7	50	43	614.3	40	-10	-20.0
Jacks and lifts.....	75	65	-10	-13.3	55	-10	-15.4
Overhead lubrication reels.....	8	55	47	587.5	60	5	9.1
Steam cleaners.....	11	60	49	445.5	75	15	25.0
Tire changers and spreaders.....	41	55	14	34.1	50	-5	-9.1
Truck washing equipment.....	186	225	39	21.0	230	5	2.2
Wheel alignment equipment.....	7	50	43	614.3	60	10	20.0
Other vehicle maintenance equipment.....	576	492	-84	-14.6	400	-92	-18.7
Total Vehicle Maintenance Equipment.....	1,016	1,172	156	15.4	1,075	-97	-8.3
TOTAL MAINTENANCE EQUIPMENT.....	3,928	3,177	-751	-19.1	3,618	441	13.9

2/11/72 MAINTENANCE EQUIPMENT - IX-A-5b - RESOURCE REQUIREMENTS

AUTOMATIC DATA PROCESSING EQUIPMENT
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000),	266	4,880	4,614	...	5,640	760	15.6

This activity covers the investment in automatic data processing equipment required for accounting information and management systems. The resource requirements reflected in this category include ADP equipment for the Postal Data Centers and Headquarters systems, and the Postal Source Data Systems

Expansion of computer services to the Headquarters staff will require approximately \$900,000 in 1973. This new investment will provide ADP terminals for offices within the Headquarters staff which will allow for data input and output from computers.

ADP Equipment (Other than PSDS)

The major item of investment in 1973 is for a planned large scale computer complex to be installed in support of the New York Region, \$3,470,000. This new capability will meet new increased requirements for management information systems, new operational data processing systems, as well as absorbing the postal data processing activities currently being performed in that region.

Postal Source Data Systems

The \$1,000,000 requirement for Postal Source Data Systems equipment provides for change and replacement equipment. Changes in postal operations, such as installation of a letter sorting system, require comparable changes in the Postal Source Data System.

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AUTOMATIC DATA PROCESSING EQUIPMENT - IX-A-5c

AUTOMATIC DATA PROCESSING EQUIPMENT
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
POSTAL SUPPORT EQUIPMENT Continued (\$000)								
Automatic Data Processing Equipment								
ADP Equipment (Other than PSDS)								
Computer systems.....	226	3,650	3,424	...	4,300	650	17.8	
Microfilm readers and printers.....	24	20	- 4	-16.7	20	...	...
Other ADP equipment.....	14	210	196	...	- 320	110	52.4	
Total ADP Equipment	264	3,880	3,616	...	4,640	760	19.6	
Postal Source Data Systems								
ADP Center equipment.....	...	...	...	...	...	...	...
Tele-concentrators and communications.....	...	...	...	...	...	...	...
Data collection equipment.....	...	1,000	1,000	...	1,000	...	...
Other PSDS equipment.....	2	...	- 2	...	...	...	...
Total Postal Source Data Systems	2	1,000	998	...	1,000	...	...
TOTAL AUTOMATIC DATA PROCESSING EQUIPMENT.....	266	4,880	4,614	...	5,640	760	15.6	

2/6/72 AUTOMATIC DATA PROCESSING EQUIPMENT - IX-A-5c - RESOURCE REQUIREMENTS

MAIL BAG OPERATION
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
1. Positions - MES ONLY	243	251	8	3.3	251	...	...
2. Man-Years - MES ONLY	250	251	1	0.4	251	...	...
<u>WORKLOAD (000)</u>							
Number of Mailbags - Procurement	195	...	...	...	...	...	...
<u>COMMITMENTS (\$000)</u>							
a. Procurement of Mail Bags	176	...	-176	...	...	...	...
b. Mail Equipment Shops	3,587	6,660	3,073	85.7	7,392	732	11.0
<u>TOTAL COMMITMENTS</u>	3,763	6,660	2,897	77.0	7,392	732	11.0

2/11/72

MAIL BAG OPERATION - IX-A-5d

PROCUREMENT OF MAILBAGS
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	
			Amount	Pct.	Amount	Pct.
WORKLOAD Number of mailbags (000)	195	...	-195	...	...	...
COMMITMENTS (\$000)	176	...	-176	...	...	...

This activity is for procurement of mailbags. Mailbags are procured from federal prison industries and other private industrial manufacturers when requirements exceed the manufacturing capacity of the Mail Equipment Shops. First priority for outside procurement is given to the federal prison industries.

Procurement from outside sources has not been planned for either Fiscal Year 1972 or 1973. However, should requirements exceed the manufacturing capacity of the Mail Equipment Shops procurement from outside will be required and necessary funds will be reprogrammed.

2/15/72

PROCUREMENT OF MAILBAGS - IX-A-5d

MAIL EQUIPMENT SHOPS
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	1973 (Estimate)		Increase		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
MANPOWER								
1. Positions	243	251	8	3.3	251	...	...	...
2. Man-Years	250	251	1	0.4	251	...	...	...
OUTPUT: Number of Units (000)								
Mailbag (Mfg)	2,129	2,380	251	11.8	2,405	25	1.1	1.1
Locks (All Types)	586	805	219	37.4	780	-25	-3.1	-3.1
Mfg and Cut Keys (All Types)	583	643	60	10.3	643	...	...	...
COMMITMENTS (\$000)	3,587	6,660	3,073	85.7	7,392	732	11.0	11.0

This activity covers the cost of the industrial operation of the Mail Equipment Shops. Included in the cost of manufacturing are labor costs, plant costs, raw materials and services required for the manufacture of mailbags, locks, keys, mail bag hardware, and other special postal items and devices.

The increase of \$732,000 in Fiscal Year 1973 is attributable to increases in personnel costs of \$98,000, an increase in supplies and services of \$633,000, and \$1,000 in occupancy costs.

The increase of \$98,000 in personnel costs represents within-grade salary increases and pay raises granted. The increase is not affected by changes in number of positions or man-years, since they are the same in both years.

Raw materials and lock box components account for \$625,000 of the increase required in supplies and services. The remaining increase of \$8,000 represents overhead supplies, freight and other services requirements.

The \$1,000 increase in plant occupancy is for utilities.

2/10/72

MAIL EQUIPMENT SHOPS - IX-A-5d

MAIL EQUIPMENT SHOPS
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
<u>Mail Equipment Shops Supplies and Services (\$000)</u>								
Freight on supplies	1	1	1	...	2	1	100.0	
Other services	11	12	1	9.1	14	2	16.7	
Raw materials - non-metallic	410	3,350	2,940	717.0	3,800	450	13.4	
Raw materials - metallic	594	500	-94	-15.8	605	105	21.0	
Overhead supplies	58	50	-8	-13.8	55	5	10.0	
Lock box components	15	100	85	566.7	170	70	70.0	
Subtotal - MES Supplies and services	1,088	4,013	2,925	268.8	4,646	633	15.8	
<u>Mail Equipment Occupancy</u>								
Rent	15	16	1	6.7	16	...	...
Fuel	4	4	...	...	4	...	...
Utilities	23	23	...	...	24	1	4.3
Communications	2	2	...	...	2	...	...
Subtotal - Occupancy	44	45	1	2.3	46	1	2.2	
TOTAL MAIL EQUIPMENT SHOPS	3,587	6,660	3,073	85.7	7,392	732	11.0	

MAIL EQUIPMENT SHOPS
Personnel Compensation and Benefits
1971 - 1973

Item	Fiscal Year 1971 (Actual)			Fiscal Year 1972 (Estimated)			Fiscal Year 1973 (Estimated)		
	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)
<u>Personnel Compensation</u>									
Permanent positions	243	242	2,163	251	244	2,328	251	244	2,417
Other personnel compensation:									
Overtime .....	...	8	67	...	7	67	...	7	68
Holiday premium .....	...	...	1	...	...	1	...	...	1
Sunday premium .....	...	...	1	...	...	1	...	...	1
Night differential .....	...	...	5	...	...	6	...	...	6
Retroactive salary increases .....	...	...	33	...	...	...	...	...	...
Subtotal - Other Personnel Compensation ..	...	8	107	...	7	75	...	7	76
Total Personnel Compensation	243	250	2,270	251	251	2,403	251	251	2,493
<u>Personnel Benefits</u>									
Health benefits .....	...	...	25	...	...	27	...	...	28
Retirement contribution .....	...	...	148	...	...	159	...	...	166
Group life insurance .....	...	...	10	...	...	11	...	...	11
Social security taxes .....	...	...	2	...	...	2	...	...	2
Total Personnel Benefits .....	...	...	185	...	...	199	...	...	207
Total Personnel Compensation	243	250	2,455	251	251	2,602	251	251	2,700

MAIL EQUIPMENT SHOPS-IX-A-5d
Personnel Compensation and Benefits

2/15/72

DEBT DISCOUNT AND EXPENSE
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000).....	...	1,425	1,425	...	1,425	...	...

This account relates to the authorized borrowing planned for 1972 and 1973 at \$250 million each year.

The estimate is based on a cost of \$5.50 per thousand plus \$50,000 for printing costs.

2/6/72

DEBT DISCOUNT AND EXPENSE - IX-A-6

EXPENSE
1971 - 1973

ITEM	Page Ref.	1971 (Actual)	1972 (Estimate)		Increase		1973 (Estimate)	Increase	
			Amount	Pct.	Amount	Pct.		Amount	Pct.
MANPOWER									
1. Positions		33, 507	36, 172		2, 665	8.0	37, 286	1, 114	3.1
2. Man-years		34, 133	36, 809		2, 676	7.8	37, 941	1, 132	3.1
COMMITMENTS (\$000)									
1. Building Occupancy	47	408, 481	496, 881		88, 400	21.6	533, 439	36, 558	7.4
2. Supplies and Services	58	90, 805	101, 956		11, 151	12.3	113, 557	11, 601	11.4
3. Building and Equipment Maintenance Service	76	103, 569	118, 496		14, 927	14.4	127, 600	9, 104	7.7
4. Vehicle Service	80	140, 097	163, 862		23, 765	17.0	178, 381	14, 519	8.9
5. Mail Containers	84	9, 440	10, 306		866	9.2	11, 025	719	7.0
6. Capital Adjustment .....	...	7, 700	...		- 7, 700	...	...	...	...
7. Interest Expense	90	...	7, 155		7, 155	...	23, 425	16, 270	...
8. Catastrophe Insurance	91	...	2, 500		2, 500	...	2, 500	...	...
TOTAL COMMITMENTS		760, 092	901, 156		141, 064	18.6	989, 927	88, 771	9.9
EXPENDITURES		751, 308	919, 607		168, 299	22.4	931, 957	12, 350	1.3
ACCRUED COSTS		761, 402	900, 880		139, 478	18.3	989, 651	88, 771	9.9

2/11/72

EXPENSE - IX-B

BUILDING OCCUPANCY
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions.....	16,185	17,336	1,151	7.1	17,801	465	2.7
2. Man-years.....	16,543	17,654	1,111	6.7	18,128	474	2.7
WORKLOAD							
Square feet of Space Provided - Rents and Utilities (000).....	158,997	165,505	6,508	4.1	177,015	11,510	7.0
COMMITMENTS (\$000)							
a. Rents and Utilities.....	247,170	305,644	58,474	23.7	324,374	18,730	6.1
b. Custodial and Guard Services.....	133,798	156,457	22,659	16.9	171,386	14,929	9.5
c. Contractual Cleaning Services.....	16,872	20,820	3,948	23.4	21,412	592	2.8
d. Custodial Supplies and Outside Services.....	10,641	13,960	3,319	31.2	16,267	2,307	16.5
TOTAL COMMITMENTS	408,481	496,881	88,400	21.6	533,439	36,558	7.4

2/8/72

BUILDING OCCUPANCY - IX-B-1

RENTS AND UTILITIES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>WORKLOAD</u>							
Square Feet of Space Provided (000)	158,997	165,505	6,508	4.1	177,015	11,510	7.0
COMMITMENTS (\$000)	247,170	305,644	58,474	23.7	324,374	18,730	6.1

This account covers funds for the cost of rents, fuel, communications, utilities, and moving expenses. The increase of \$18,730,000 or 6.1 percent is primarily associated with three areas - rents, taxes, and utilities. Rents increase \$11.4 million or 5.9 percent as a result of new rental space occupied (2.8 percent) as well as the renegotiation of existing leases as they reach expiration. Taxes show an increase of \$2.0 million or 7.2 percent

due to additional leases containing tax clauses and higher real estate taxes. Utilities increase \$5.1 million or 6.2 percent and results both from increased space occupied and higher unit costs.

The following estimate schedule summarizes the resources required for this account.

RENTS AND UTILITIES
Resource Requirements
1971 - 1973

ITEM	1971	1972	Increase		1973	Increase	
	(Actual)	(Estimate)	Amount	Pct.	(Estimate)	Amount	Pct.
RENTS AND UTILITIES (\$000)							
Recurring Rent and Related Costs:							
Lease and Rental Agreements	153,813	194,277	40,464	26.3	205,707	11,430	5.9
Taxes	19,001	27,083	8,082	42.5	29,030	1,947	7.2
Seasonal Space	853	1,098	245	28.7	1,250	152	13.8
Payments to Other Agencies for Space	512	600	88	17.2	690	90	15.0
Providence, RI - Contract Maintenance	823	1,025	202	24.5	1,050	25	2.4
Subtotal - Rent and Related Costs	175,002	224,083	49,081	28.0	237,727	13,644	6.1
Fuel	11,455	12,701	1,246	10.9	14,100	1,399	11.0
Utilities	45,756	52,400	6,644	14.5	55,357	2,957	5.6
Communications	14,725	16,195	1,470	10.0	16,900	705	4.4
Moving Expenses	232	265	33	14.2	290	25	9.4
Total - Rents and Utilities	247,170	305,644	58,474	23.7	324,374	18,730	6.1

RENTS AND UTILITIES - IX-B-1a - RESOURCE REQUIREMENTS

2/8/72

SUMMARY OF POSTAL SPACE OCCUPIED

	Fiscal Year 1971 Thousands of Square Feet	Fiscal Year 1972 Thousands of Square Feet (est.)	Fiscal Year 1973 Thousands of Square Feet (est.)
<u>Space Occupied - Summary as of June 30</u>			
Interior	148,548	153,985	162,065
Platform	10,449	11,520	14,950
Total interior and platform	158,997	165,505	177,015
<u>Space Occupied - Detail as of June 30</u>			
<u>Leased and Rented Buildings</u>			
Interior	86,644	89,500	91,500
Platform	7,113	7,800	8,530
<u>USPS-owned Buildings</u>			
Interior	53,596	54,100	60,180
Platform	3,317	3,700	6,400
<u>GSA-owned Buildings</u>			
Interior	6,922	9,000	9,000
<u>Other Agencies' Buildings</u>			
Interior	1,386	1,385	1,385
Platform	19	20	20
Total interior and platform	158,997	165,505	177,015

SUMMARY OF SPACE OCCUPIED

2/7/72

CUSTODIAL AND GUARD SERVICES

1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)		Increase		1973 (Estimate)		Increase	
		Amount	Pct.	Amount	Pct.	Amount	Pct.		
MANPOWER									
1. Positions	16,185	17,336	7.1	1,151		17,801	465	2.7	
2. Man-years	16,543	17,654	6.7	1,111		18,128	474	2.7	
COMMITMENTS (\$000)	133,798	156,457	16.9	22,659		171,386	14,929	9.5	

This account covers the program cost of custodial and guard service provided for buildings and grounds under the control of and operated by the Postal Service. These services are performed by employees of the Postal Service.

The \$14,929,000 increase in program costs for Fiscal Year 1973 covers the following:

Pay Increases	\$12,029,000
Non-recurring Bonus Decrease	-4,397,000
Within-grade Salary Increases	3,269,000
Net Workload	4,023,000
Travel	5,000

Pay Increases:

A \$12,029,000 increase is made up of the carryover costs

from pay raises granted in 1972 and from the estimated 1973 cost of increases to be granted to PS-8's and below on July 20, 1972, and January 20, 1973, and the cost-of-living allowance to be granted August 18, 1972.

Non-recurring Bonus Decrease:

A decrease of \$4,397,000 is due to a non-recurring bonus payment made in 1972.

Within-grade Salary Increases:

An increase of \$3,269,000 is due to within-grade salary increases.

Net Workload:

The estimate of \$4,023,000 for workload increases provides for an additional 474 man-years of custodial and guard effort. This increase in man-years is primarily a reflection of the 6.9 percent increase in space occupied, as well as the emphasis by the Postal Service upon upgrading the quality of the maintenance.

2/8/72

CUSTODIAL AND GUARD SERVICES - IX-B-1b

CUSTODIAL AND GUARD SERVICE
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>COMMITMENTS (\$000)</u>							
<u>Salaries and benefits:</u>							
Personnel compensation	123,319	144,304	20,985	17.0	157,622	13,318	9.2
Personnel benefits	10,348	12,014	1,666	16.1	13,620	1,606	13.4
Subtotal	133,667	156,318	22,651	16.9	171,242	14,924	9.5
Travel	131	139	8	6.1	144	5	3.6
<u>TOTAL COMMITMENTS</u>	133,798	156,457	22,659	16.9	171,386	14,929	9.5

2/5/72

CUSTODIAL AND GUARD SERVICE - IX-B-1b - RESOURCE REQUIREMENTS

CUSTODIAL AND GUARD SERVICE
Personnel Compensation and Benefits
1971 - 1973

Item	Fiscal Year 1971 (Actual)			Fiscal Year 1972 (Estimated)			Fiscal Year 1973 (Estimated)		
	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)
Personnel Compensation									
Permanent positions	14,793	14,463	103,382	15,845	15,451	118,980	16,270	15,866	133,992
Positions other than permanent	1,392	1,361	9,729	1,491	1,456	11,203	1,531	1,493	12,947
Subtotal - Basic Salaries	16,185	15,824	113,111	17,336	16,907	130,183	17,801	17,359	146,939
Other personnel compensation:									
Overtime .....	...	584	4,172	...	607	4,808	...	625	5,372
Holiday premium .....	...	135	964	...	140	1,108	...	144	1,278
Sunday premium .....	...	...	873	...	...	1,003	...	...	1,215
Christmas premium .....	...	...	118	...	...	135	...	...	151
Night differential .....	...	...	2,312	...	...	2,666	...	...	2,968
Retroactive salary increases and bonus payments .....	...	...	1,769	...	...	4,397	...	...	...
Subtotal - Other Personnel Compensation .....	...	719	10,208	...	747	14,117	...	769	10,984
Total Personnel Compensation	16,185	16,543	123,319	17,336	17,654	144,300	17,801	18,128	157,923
Personnel Benefits									
Health benefits .....	...	...	1,766	...	...	2,218	...	...	2,285
Retirement contribution .....	...	...	7,636	...	...	8,736	...	...	9,870
Group life insurance .....	...	...	541	...	...	622	...	...	692
Social security taxes .....	...	...	100	...	...	115	...	...	130
Uniform allowances .....	...	...	220	...	...	229	...	...	236
Territorial cost of living .....	...	...	85	...	...	98	...	...	106
Total Personnel Benefits .....	...	...	10,348	...	...	12,018	...	...	13,319
Total Personnel Compensation and Benefits	16,185	16,543	133,667	17,336	17,654	156,318	17,801	18,128	171,242

CUSTODIAL AND GUARD SERVICE-IX-B-1b
Personnel Compensation and Benefits

2/11/72

CONTRACTUAL CLEANING SERVICES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000)	16,872	20,820	3,948	23.4	21,412	592	2.8

This account covers the program costs of contracts for cleaning smaller post offices (first-class and second-class post offices), and stations and branches where a full-time maintenance position is not required and the use of contract cleaning services are more economical.

The \$592,000 increase in program costs for Fiscal Year 1973 is primarily due to the additional space occupied in Fiscal Year 1973.

The following estimate schedule summarizes the resources required for this account:

CONTRACTUAL CLEANING SERVICES
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
CONTRACTUAL CLEANING SERVICES (\$000) Contract Job Cleaners	16,872	20,820	3,948	23.4	21,412	592	2.8

CUSTODIAL SUPPLIES AND OUTSIDE SERVICES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
COMMITMENTS (\$000)	10,641	13,960	3,319	31.2	16,267	2,307	16.5	

This account covers the costs of those supplies and services used in the maintenance of the space occupied at the various postal installations. Specifically, it includes the cost of such items as cleaning and washroom supplies, maintenance of cleaning equipment, the cost of trash removal, and custodial services.

This account essentially divides into two parts, custodial supplies and custodial services. Custodial supplies increase

17.3 percent over Fiscal Year 1972 while custodial services increase 15.0 percent over Fiscal Year 1972. These increases are directly related to the increase in space occupied by the Postal Service, and to the increased cost of contracts.

The following estimate schedule summarizes the resource requirements for this account:

2/8/72

CUSTODIAL SUPPLIES AND OUTSIDE SERVICES - IX-B-1d

CUSTODIAL SUPPLIES AND OUTSIDE SERVICES
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>CUSTODIAL SUPPLIES & OUTSIDE SERVICES (\$000)</u>							
Custodial Supplies							
Custodial Supplies for Post Offices	5,584	8,221	2,637	47.2	9,736	1,515	18.4
Custodial Supplies for Regional Offices	38	41	3	7.9	46	5	12.2
Custodial Supplies for Vehicle Maintenance Facilities	101	116	15	15.0	123	7	6.0
Other Supplies	678	834	156	23.0	902	68	8.2
Total Custodial Supplies	6,401	9,212	2,811	43.9	10,807	1,595	17.3
Custodial Services	4,240	4,748	508	12.0	5,460	712	15.0
Total - Custodial Supplies and Services ...	10,641	13,960	3,319	31.2	16,267	2,307	16.5

2/8/72 CUSTODIAL SUPPLIES AND OUTSIDE SERVICES - IX-B-1d - RESOURCE REQUIREMENTS

SUPPLIES AND SERVICES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions.....	722	740	18	2.5	740	...	...
2. Man-years.....	712	716	4	0.6	716	...	...
COMMITMENTS (\$000)							
a. Supply Center Operations.....	2,773	3,070	297	10.7	3,270	200	6.5
b. Postal Supplies and Services.....	78,186	89,077	10,891	13.9	98,875	9,798	11.0
c. Stamped Envelope Agency.....	5,799	5,370	- 429	- 7.4	6,674	1,304	24.3
d. Label Printing Units.....	4,047	4,439	392	9.7	4,738	299	6.7
TOTAL COMMITMENTS.....	90,805	101,956	11,151	12.3	113,557	11,601	11.4

2/7/72

SUPPLIES AND SERVICES - IX-B-2

SUPPLY CENTER OPERATIONS
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
1. Positions	282	300	18	6.4	300	...	...
2. Man-years	273	276	3	0.4	276	...	...
<u>COMMITMENTS (\$000)</u>	2,773	3,070	297	10.7	3,270	200	6.5

This account covers the costs of the personnel required to operate the Eastern and Western Area Supply Centers as well as the Equipment Specialists.

The \$200,000 net increase in program costs for Fiscal year 1973 covers the following:

Pay Increases	\$ 207,000
Non-recurring Bonus Decrease	- 72,000
Within-grade Salary Increases	50,000
Other	15,000

Pay Increases:

A \$207,000 increase is made up of the carryover costs from pay raises granted in 1972 and from the estimated 1973 costs of increases to be granted to FS-8's and below on July 20, 1972,

and January 20, 1973, and the cost-of-living allowance to be granted August 18, 1972.

Non-recurring Bonus Decrease:

A decrease of \$72,000 is due to non-recurring bonus payment made in 1972.

Within-grade Salary Increases:

An increase of \$50,000 is due to within-grade salary increases.

Other:

An increase of \$15,000 or 12.8 percent is required for travel.

SUPPLY CENTER OPERATIONS
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>COMMITMENTS (\$000)</u>							
<u>Salaries and benefits:</u>							
Personnel compensation	2,459	2,715	256	10.4	2,887	172	6.3
Personnel benefits	211	238	27	12.8	251	13	5.5
Subtotal	2,670	2,953	283	10.6	3,138	185	6.3
<u>Travel</u>	103	117	14	13.6	132	15	12.8
TOTAL COMMITMENTS	2,773	3,070	297	10.7	3,270	200	6.5

2/6/72 SUPPLY CENTER OPERATIONS - IX-B-2a - RESOURCE REQUIREMENTS

SUPPLY CENTER OPERATIONS
Personnel Compensation and Benefits
1971 - 1973

Item	Fiscal Year 1971 (Actual)			Fiscal Year 1972 (Estimated)			Fiscal Year 1973 (Estimated)		
	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)
Personnel Compensation									
Permanent positions - Basic Salaries	282	272	2,414	300	275	2,632	300	275	2,875
Other personnel compensation:									
Overtime .....	...	1	9	...	1	10	...	1	11
Holiday premium .....	...	...	1	...	...	1	...	...	1
Retroactive salary increases and bonus payments .....	...	...	35	...	...	72	...	...	...
Subtotal - Other Personnel Compensation .	...	1	45	...	1	83	...	1	12
Total Personnel Compensation	282	273	2,459	300	276	2,715	300	276	2,887
Personnel Benefits									
Health benefits .....	...	...	29	...	...	35	...	...	35
Retirement contribution .....	...	...	168	...	...	188	...	...	200
Group life insurance .....	...	...	10	...	...	11	...	...	12
Social security taxes .....	...	...	1	...	...	1	...	...	1
Relocation expense .....	...	...	3	...	...	3	...	...	3
Total Personnel Benefits .....	...	...	211	...	...	238	...	...	251
Total Personnel Compensation and Benefits	282	273	2,670	300	276	2,953	300	276	3,138

SUPPLY CENTER OPERATIONS - IX-B-2a
Personnel Compensation and Benefits

2/15/72

POSTAL SUPPLIES AND SERVICES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
COMMITMENTS (\$000).....	78, 186	89, 077	10, 891	13. 9	98, 875	9, 798	11. 0	

This account covers the costs of operating supplies and services. Included are canvas baskets, trays, rubber bands, and repair parts for equipment; contractual services for repairs to equipment, the supplies and contractual services for the Data Processing function of the Service; the cost of printing and reproduction; and the cost of stamps and accountable paper.

\$6, 316, 000; Stamps and Accountable Paper, \$1, 121, 000; ADP Program, \$1, 094, 000; Rental of Equipment, \$1, 160, 000, and other small increases totaling \$851, 000. Engineering Support contracts decrease \$744, 000 as it is planned that to the extent feasible such work will be performed by the Corps of Engineers and U.S.P.S. personnel.

The over-all increase in Fiscal Year 1973 in this element is \$9, 798, 000. The major increases are in Postal Supplies,

The following estimate schedule summarizes the resources required for this account:

2/7/72

POSTAL SUPPLIES AND SERVICES - IX-B-2b

POSTAL SUPPLIES AND SERVICES
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase		
			Amount	Pct.		Amount	Pct.	
POSTAL SUPPLIES AND SERVICES (\$000)								
<u>Postal Supplies</u>								
Canvas Baskets	2,245	3,250	1,005	44.8	3,400	150	4.6	
Cash and Stamp Boxes .....	...	26	26	...	25	-	- 3.8
Conveyor Belting	6	366	360	...	418	52	14.2	
Envelopes	804	792	- 12	- 1.5	824	32	4.0	
Flags	34	381	347	...	264	- 117	-30.7	
Medical Supplies	44	74	30	68.2	79	5	6.8	
Non-Metallic Strapping and One Piece Buckle	29	14	- 15	-51.7	15	1	7.1	
Observation Units and Accessories	116	101	- 15	-12.9	109	8	7.9	
Office Supplies	184	575	391	212.5	617	42	7.3	
Packing Materials	85	312	227	267.1	322	10	3.2	
Paper	496	524	28	5.6	550	26	5.0	
Plastic and Fiberboard Trays	174	225	51	29.3	245	20	8.9	
Postmarking Materials	442	691	249	56.3	720	29	4.2	
Protective Clothing and Safety Supplies	223	204	- 19	- 8.5	203	-	- .5	
Publications	159	130	- 29	-18.2	135	5	3.8	
Repair Parts for Major Mechanization	877	650	- 227	-25.9	700	50	7.7	
Repair Parts for Postal Equipment	3,192	2,625	- 567	-17.8	2,754	129	4.9	
Satchels, Straps and Other Carrying								
Equipment	223	992	769	344.8	987	-	- .5	
Seals	108	350	242	224.1	380	30	8.6	

2/7/72

POSTAL SUPPLIES AND SERVICES - IX-B-2b - RESOURCE REQUIREMENTS

POSTAL SUPPLIES AND SERVICES
(\$'000)

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
Tags	540	837	297	55.0	887	50	6.0
Twine .....	...	104	104	...	103	-	-1.0
Wire for Tying Machines .....	...	4	4	...	3	-	-25.0
Other Postal Supplies	805	815	10	1.2	867	52	6.4
Film and Photographic Supplies	39	70	31	79.5	70	...	...
Spare Parts for Mechanization	590	720	130	22.0	730	10	1.4
Postal Supplies for Post Offices	17,181	17,967	786	4.6	23,102	5,135	29.4
Postal Supplies for Regional Offices	1,309	1,400	91	7.0	2,000	600	42.9
Postal Supplies for Vehicle Operation	97	98	1	1.0	104	6	6.1
Subtotal Postal Supplies	30,002	34,297	4,295	14.3	40,613	6,316	18.4
Postal Services							
Contractual Services - Other than Repairs to Buildings	620	1,164	544	87.7	1,150	-	1.2
Contractual Services - Repairs to Equipment	1,242	1,013	-229	-18.4	1,023	10	1.0
Contractual Services - ZIP Code	1	15	14	...	25	10	66.7
Contractual Services - Laundry (OHS)	7	10	3	42.9	13	3	30.0
Exhibits and Displays	18	35	17	94.4	44	9	25.7
Quality Control Tests-Other Gov't. Agencies	74	90	16	21.6	90	...	...
Installation, Maintenance, and Repairs	978	1,727	749	76.6	2,100	373	21.6
Safety Program Services and Materials	21	50	29	138.1	52	2	4.0
Training Film and Instructional Material	43	50	7	16.3	55	5	10.0
Uniform Quality Control	90	100	10	11.1	108	8	8.0
Engineering Support Contracts	2,961	1,430	-1,531	-51.7	280	-1,150	-80.4
Subtotal Postal Services	6,055	5,684	-371	-6.1	4,940	-744	-13.1

2/5/72 POSTAL SUPPLIES AND SERVICES - IX-B-2b - RESOURCE REQUIREMENTS

POSTAL SUPPLIES AND SERVICES
(\$000)

ITEM	1971 (Actual)	1972 (Estimate)		Increase		1973 (Estimate)		Increase	
		Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Stamps and Accountable Paper									
Aerograms	118	130	12	10.2	130	10.2	130	10.2	10.2
Money Orders	1,341	1,409	68	5.1	1,795	5.1	1,795	386	27.4
Postal Cards	1,899	1,203	-	-36.7	1,619	-36.7	1,619	416	34.6
Stamps and Related Items	14,074	16,504	2,430	17.3	16,823	17.3	16,823	319	1.9
Plastic Stamp Dispensers	58	50	-	-13.8	50	-13.8	50	...	...
Subtotal Stamps and Accountable Paper	17,490	19,296	1,806	10.3	20,417	10.3	20,417	1,121	5.8
Printing and Reproduction									
Motion Picture Film, Film Reprints, Photos,									
Strips	270	677	407	...	880	...	880	203	30.0
Printing - Commercial Companies	438	556	118	26.9	722	26.9	722	166	29.9
Printing - Other Government Agencies	584	1,582	998	...	1,600	...	1,600	18	1.1
Directory of Post Offices	64	66	2	3.1	67	3.1	67	1	1.5
National ZIP Code Directories	350	450	100	28.6	470	28.6	470	20	4.4
City ZIP Code Directories	19	19	...	...	25	...	25	6	31.6
Zone Guides	2	25	23	...	25	...	25	...	...
Postal Bulletin	305	358	53	17.4	362	17.4	362	4	1.1
Postal Manual	104	110	6	5.8	112	5.8	112	2	1.8
Posters and Placards	851	860	9	1.1	860	1.1	860	...	...
Posters - ZIP Code	209	250	41	19.6	282	19.6	282	32	12.8
Regional Manual	2	15	13	...	15	...	15	...	...
Technical Handbooks	224	320	96	42.9	326	42.9	326	6	1.9
Test and Examination Materials	158	300	142	89.9	420	89.9	420	120	40.0
Miscellaneous Publications - Headquarters ..	1,074	900	-	-16.2	900	-16.2	900	...	...

2/5/72

POSTAL SUPPLIES AND SERVICES - IX-B-2b - RESOURCE REQUIREMENTS

POSTAL SUPPLIES AND SERVICES
(\$000)

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
Miscellaneous Publications - Field	19	...	-	19	...	...	...
Publications - ZIP Code	5	10	5	5	12	2	20.0
Postal Life	230	235	5	2.2	235	...	...
Postal Forms - Headquarters	5,055	4,781	- 274	- 5.4	4,500	- 281	- 5.9
Postal Forms - Field	367	350	- 17	- 4.6	340	- 10	- 2.9
Miscellaneous Printing	51	100	49	96.1	125	25	25.0
Contracting for Visuals,	60	75	15	25.0	75	...	...
Postal Forms	76	95	19	25.0	95	...	...
Miscellaneous Reproduction	136	139	3	2.2	140	1	0.7
Miscellaneous Publications,	37	50	13	35.1	55	5	10.0
Treasury Department - Checks and Official Government Commissions	62	62	...	...	62	...	...
Motion Pictures, Film, and Film Reprints ..	118	60	- 58	-49.2	50	- 10	-16.7
Compilation Postal Map	18	28	10	55.6	28	...	...
Printing Postal Maps	62	92	30	48.4	92	...	...
Subtotal Printing and Reproduction	10,950	12,565	1,615	14.7	12,875	310	2.5
Automatic Data Processing Program Headquarters:							
Maintenance and Repairs ADP Equipment ...	112	195	83	74.1	210	15	7.7
Rental - ADP Equipment	341	650	309	90.6	687	37	5.7
Magnetic Tapes	207	40	- 167	-80.7	55	15	37.5
Other Supplies	7	45	38	...	40	5	-11.1
Marginally Punched Forms	61	100	39	63.9	175	75	75.0

2/5/72

POSTAL SUPPLIES AND SERVICES - IX-B-2b - RESOURCE REQUIREMENTS

POSTAL SUPPLIES AND SERVICES
(\$000)

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
Tabulating Cards	15	100	85	...	150	50	50.0
Contractual Services - Commercial Companies	227	350	123	54.2	450	100	28.6
Contractual Services - Other Agencies	50	50	...	...	50	...	...
Communications - Commercial Companies .....	...	175	175	...	175	...	...
Communications - CSA .....	...	275	275	...	275	...	...
Subtotal Headquarters	1,020	1,980	960	94.1	2,267	287	14.5
<u>Postal Data Centers</u>							
Maintenance and Repairs - ADP Equipment .	335	420	85	25.4	470	50	11.9
Rental - ADP Equipment	372	785	413	...	830	45	5.7
Magnetic Tapes	174	340	166	95.4	454	114	33.5
Other Supplies .....	...	203	203	...	250	47	23.2
Marginally Punched Forms	31	480	449	...	550	70	14.6
Tabulating Cards	135	320	185	...	397	77	24.1
Contractual Services - Commercial Companies	77	150	73	94.8	200	50	33.3
Contractual Services - Other Agencies	86	90	4	...	90	...	...
Subtotal Postal Data Centers	1,210	2,788	1,578	130.4	3,241	453	16.2
<u>Postal Source Data Systems</u>							
Maintenance and Repairs - Source Data Equipment	4,958	4,778	- 180	3.6	5,017	239	5.0
Rental - Source Data Equipment	53	...	- 53	...	...	...	...

2/5/72

POSTAL SUPPLIES AND SERVICES - IX-B-2b - RESOURCE REQUIREMENTS

POSTAL SUPPLIES AND SERVICES
(\$000)

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
Magnetic Tapes	134	129	-	5	135	6	4.7
Other Supplies	174	35	139	-79.9	37	16	5.7
Marginally Punched Forms	413	335	-	78	351	16	4.8
Tabulating Cards .....	...	11	11	...	11	...	...
Communications - Commercial Companies .	1,549	1,581	32	2.1	1,641	60	3.8
Communications - GSA	954	942	-	12	973	31	3.3
Systems Reconfiguration .....	...	400	400	...	400	...	...
Contract Services - Commercial Companies	..5	10	.5	100.0	10	...	...
Subtotal Postal Source Data Systems	8,240	8,221	-	19	8,575	354	4.3
Subtotal ADP Program	10,470	12,989	2,519	24.1	14,083	1,094	8.4
<u>Rental of Equipment</u>							
AP and UPI Ticker Service	3	5	2	66.7	7	2	40.0
Photocopy Equipment Rental	194	249	55	28.4	301	52	20.9
Duplicating Plate Equipment Rental	2	4	2	...	6	2	50.0
Oxygen Equipment	1	2	1	...	3	1	50.0
Vehicles - GSA	6	10	4	66.7	10	...	...
Vehicles - Private Sources	4	6	2	50.0	8	2	...
Other Equipment Rental	2,105	2,755	650	30.9	3,856	1,101	40.0
Subtotal Rental of Equipment	2,315	3,031	716	30.9	4,191	1,160	38.3
<u>Freight</u>	571	715	144	25.2	790	75	10.5

2/5/72 POSTAL SUPPLIES AND SERVICES - IX-B-2b - RESOURCE REQUIREMENTS

POSTAL SUPPLIES AND SERVICES
(\$000)

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
Mail Bag Depository and Repair Unit Supplies							
Cloth Patches Heat Seal	46	50	4	8.7	65	15	30.0
Equipment Maintenance Supplies	58	65	7	12.1	60	-	- 7.7
Other Raw Materials	229	385	156	68.1	841	456	...
Subtotal Mail Bag Depository and Repair Unit Supplies	333	500	167	50.2	966	466	93.2
Total - Postal Supplies and Services	78,186	89,077	10,891	13.9	98,875	9,798	11.0

2/5/72

POSTAL SUPPLIES AND SERVICES - IX-B-2b - RESOURCE REQUIREMENTS

STAMPED ENVELOPE AGENCY
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions	12	12	...	...	12	...	...
2. Man-years	11	12	1	9.1	12	...	...
COMMITMENTS (\$000)	5,799	5,370	-429	-7.4	6,674	1,304	24.3

The U. S. Stamped Envelope Agency is located at the contractor's envelope plant and is responsible for the inspection, acceptance, and distribution of embossed stamped envelopes. The Agency is the postmasters' sole source of supply for all plain and printed stamped envelopes, and also receives and processes requisitions from the postmasters and the public, and certifies postmasters' accountability to postal data centers. The Manager, U. S. Stamped Envelope Agency certifies for payment the contractor's billings for envelopes delivered. Included in this account is the cost of procuring stamped embossed envelopes.

The \$1,304,000 increase in program costs for Fiscal Year 1973 covers the following:

Pay Increases	\$ 7,000
Non-recurring Bonus Decrease	- 3,000
Within-grade Salary Increases	2,000
Other	1,298,000

2/17/72

STAMPED ENVELOPE AGENCY - IX-B-2c

Pay Increases:

A \$7,000 increase is made up of the carryover costs from pay raises granted in 1972 and from the estimated 1973 costs of increases to be granted to PS-8's and below on July 20, 1972, and January 20, 1973, and the cost-of-living allowance to be granted August 18, 1972.

Non-recurring Bonus Decrease:

A decrease of \$3,000 is due to a non-recurring bonus payment made in 1972.

Within-grade Salary Increases:

An increase of \$2,000 is due to within-grade salary increases.

Other:

An increase of \$1,298,000 is required for the procurement of stamped envelopes and reflects the increasing demand for this product.

STAMPED ENVELOPE AGENCY
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
<u>COMMITMENTS (\$000)</u>								
<u>Salaries and benefits:</u>								
Personnel compensation	139	158	19	13.7	164	6	3.8	
Personnel benefits	11	12	1	9.1	12	...	...
Subtotal	150	170	20	13.3	176	6	3.5	
<u>Other Services:</u>								
Procurement of envelopes	5,649	5,200	-449	-8.0	6,498	1,298	25.0	
TOTAL COMMITMENTS	5,799	5,370	-429	-7.4	6,674	1,304	24.3	

2/6/72

STAMPED ENVELOPE AGENCY - IX-B-2c - RESOURCE REQUIREMENTS

STAMPED ENVELOPE AGENCY
 Personnel Compensation and Benefits
 1971 - 1973

Item	Fiscal Year 1971 (Actual)			Fiscal Year 1972 (Estimated)			Fiscal Year 1973 (Estimated)		
	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)
Personnel Compensation									
Permanent positions - Basic Salaries	12	11	137	12	12	155	12	12	164
Other personnel compensation:									
Retrospective salary increases and bonus payments .....	...	...	2	...	...	3	...	...	...
Total Personnel Compensation	12	...	139	12	12	158	12	12	164
Personnel Benefits									
Health benefits .....	...	...	1	...	...	1	...	...	1
Retirement contribution .....	...	...	9	...	...	10	...	...	10
Group Life Insurance .....	...	...	1	...	...	1	...	...	1
Total Personnel Benefits .....	...	...	11	...	...	12	...	...	12
Total Personnel Compensation and Benefits	12	11	150	12	12	170	12	12	176

STAMPED ENVELOPE AGENCY-IX-B-2c
 Personnel Compensation and Benefits

2/11/72

LABEL PRINTING UNITS
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
<u>MANPOWER</u>								
1. Positions	428	428	...	...	428	...	...	...
2. Man-years	428	428	...	...	428	...	...	...
<u>COMMITMENTS (\$000)</u>	4,047	4,439	392	9.7	4,738	299	6.7	

This account covers the personnel and related costs of operating the four Label Printing Units.

The \$299,000 increase in program costs for Fiscal Year 1973 covers the following:

Pay Increases	\$ 342,000
Non-recurring Bonus Decrease	-114,000
Within-grade Salary Increases	71,000

Pay Increases:

A \$342,000 increase is made up of the carryover costs from pay raises granted in 1972 and from the estimated 1973 costs

of increases to be granted to FS-8's and below on July 20, 1972, and January 20, 1973, and the cost-of-living allowance to be granted August 18, 1972.

Non-recurring Bonus Decrease:

A decrease of \$114,000 is due to a non-recurring bonus payment made in 1972.

Within-grade Salary Increases:

An increase of \$71,000 is due to within-grade salary increases.

2/7/72

LABEL PRINTING UNITS - IX-B-2d

LABEL PRINTING UNITS
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000)							
Salaries and benefits:							
Personnel compensation	3,709	4,068	359	9.7	4,341	273	6.7
Personnel benefits	338	371	33	9.8	397	26	7.0
TOTAL COMMITMENTS	4,047	4,439	392	9.7	4,738	299	6.7

2/10/72 LABEL PRINTING UNITS - IX-B-2d - RESOURCE REQUIREMENTS

LABEL PRINTING UNITS
Personnel Compensation and Benefits
1971 - 1973

Item	Fiscal Year 1971 (Actual)			Fiscal Year 1972 (Estimated)			Fiscal Year 1973 (Estimated)		
	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)
Personnel Compensation	428	424	3,598	428	424	3,899	428	424	4,283
Permanent positions - Basic Salaries									
Other personnel compensation:									
Overtime.....	...	4	32	...	4	35	...	4	37
Holiday premium .....	...	...	1	...	...	1	...	...	1
Sunday premium .....	...	...	1	...	...	1	...	...	1
Night differential .....	...	...	16	...	...	18	...	...	19
Retroactive salary increases and bonus payments .....	...	...	61	...	...	114	...	...	...
Subtotal - Other Personnel Compensation .....	...	4	111	...	4	169	...	4	58
Total Personnel Compensation	428	428	3,709	428	428	4,068	428	428	4,341
Personnel Benefits									
Health benefits .....	...	...	48	...	...	58	...	...	62
Retirement contribution .....	...	...	261	...	...	281	...	...	301
Group life insurance .....	...	...	17	...	...	18	...	...	19
Social security taxes .....	...	...	12	...	...	14	...	...	15
Total Personnel Benefits .....	...	...	338	...	...	371	...	...	397
Total Personnel Compensation and Benefits	428	428	4,047	428	428	4,439	428	428	4,738

LABEL PRINTING UNITS-IX-B-2d
Personnel Compensation and Benefits

2/11/72

BUILDING AND EQUIPMENT MAINTENANCE SERVICE
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
MANPOWER								
1. Positions	9,641	10,257	616	6.4	10,538	281	2.7	
2. Man-years	9,745	10,400	655	6.7	10,679	279	2.7	
COMMITMENTS (\$000)	103,569	118,496	14,927	14.4	127,600	9,104	7.7	

This account includes the general building maintenance of postal facilities under the control of and operated by the U. S. Postal Service and the maintenance of mail processing, vending and other postal equipment.

The \$9, 104, 000 increase in program costs for Fiscal Year 1973 covers the following:

Pay Increases	\$ 7,926,000
Non-recurring Bonus Decrease	-2,590,000
Within-grade Salary Increases	1,396,000
Net Workload	2,368,000
Other	4,000

Pay Increases:

A \$7,926,000 increase is made up of the carryover costs from pay raises granted in 1972 and from the estimated 1973 cost of increases to be granted to PS-8's and below on July 20, 1972, and January 20, 1973, and the cost-of-living allowance to be granted August 18, 1972.

Non-recurring Bonus Decrease:

A decrease of \$2,590,000 is a result of the non-recurring bonus payment made in 1972.

Within-Grade Salary Increases:

An increase of \$1,396,000 is the result of within-grade salary increases.

of the U. S. Postal Service. These additional man-years reflect the increased space occupied by the Postal Service.

Net Workload:

The increase of \$2,368,000 in workload will provide an additional 279 man-years of effort to maintain the buildings and equipment

Other:

An increase of \$4,000 or 6.0 percent is required for travel.

BUILDING AND EQUIPMENT MAINTENANCE SERVICE
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.
COMMITMENTS (\$000)						
<u>Salaries and benefits:</u>						
Personnel compensation.....	95,818	109,576	13,758	14.4	8,208	7.5
Personnel benefits	7,673	8,837	1,164	15.2	892	10.1
Subtotal	103,491	118,413	14,922	14.4	9,100	7.7
<u>Travel</u>	78	83	5	6.4	4	6.0
TOTAL COMMITMENTS.....	103,569	118,496	14,927	14.4	9,104	7.7

BUILDING AND EQUIPMENT MAINTENANCE
Personnel Compensation and Benefits
1971 - 1973

Item	Fiscal Year 1971 (Actual)		Fiscal Year 1972 (Estimated)		Fiscal Year 1973 (Estimated)	
	Positions	Man-Years Amount (\$000)	Positions	Man-Years Amount (\$000)	Positions	Man-Years Amount (\$000)
<u>Personnel Compensation</u>						
Permanent positions	8,812	80,363	9,374	90,992	9,631	90,173
Positions other than permanent	829	7,564	883	856	907	9,426
Subtotal - Basic Salaries	9,641	87,927	10,257	99,555	10,538	109,599
Other personnel compensation:						
Overtime	344	3,242	367	3,672	381	4,045
Holiday premium	79	751	85	850	89	936
Sunday premium .....	...	680	...	770	...	848
Christmas premium .....	...	92	...	104	...	115
Night differential .....	...	1,798	...	2,035	...	2,241
Retroactive salary increases and bonus payments .....	...	1,328	...	2,590	...	...
Subtotal - Other Personnel Compensation	423	7,891	452	10,021	470	8,185
Total Personnel Compensation	9,641	95,818	10,257	109,576	10,538	117,784
<u>Personnel Benefits</u>						
Health benefits .....	...	1,041	...	1,336	...	1,372
Retirement contribution .....	...	5,937	...	6,725	...	7,503
Group life insurance .....	...	419	...	473	...	528
Social security taxes .....	...	79	...	89	...	99
Uniform allowances .....	...	131	...	140	...	144
Territorial cost of living .....	...	66	...	74	...	83
Total Personnel Benefits .....	...	7,673	...	8,837	...	9,729
Total Personnel Compensation and Benefits	9,641	103,491	10,257	118,413	10,538	127,513

BUILDING AND EQUIPMENT MAINTENANCE-IX-B-3
Personnel Compensation and Benefits

2/11/72

VEHICLE SERVICE
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)		Increase	
			Amount	Pct.	Amount	Pct.	Amount	Pct.
MANPOWER								
1. Positions	6,224	7,111	887	14.3	7,479	368	5.2	
2. Man-years	6,410	7,323	913	14.2	7,702	379	5.2	
COMMITMENTS (\$000)	140,097	163,862	23,765	17.0	178,381	14,519	8.9	

This account includes the maintenance of the Government-owned vehicle fleet by Postal Service vehicle maintenance employees and contractors; the rental of vehicles used in the collection, delivery, and mail transport service; and the procurement of vehicle operating and maintenance supplies and materials.

The \$14,519,000 increase in program costs for Fiscal Year 1973 covers the following:

Pay Increases	\$ 5,477,000
Non-recurring Bonus Decrease	-1,704,000
Within-grade Salary Increases	715,000
Net Workload	3,217,000
Other	6,814,000

Pay Increases:

A \$5,477,000 increase is made up of the carryover costs from pay raises granted in 1972 and from the estimated 1973 cost of increases to be granted to PS-8's and below on July 20, 1972, and January 20, 1973, and the cost-of-living allowance to be granted August 18, 1972.

Non-recurring Bonus Decrease:

A decrease of \$1,704,000 is due to a non-recurring bonus payment made in 1972.

Within-grade Salary Increases:

An increase of \$715,000 is due to within-grade salary increases.

2/8/72

VEHICLE SERVICE - IX-B-4

Net Workload:

The estimate for workload provides for a net increase of 379 man-years and increased costs of \$3,217,000. This increase is due to the projected 5.3 percent increase in the vehicle fleet.

Other:

Other items increased \$6,814,000 due to a \$3,502,000 increase in vehicle supplies and a \$2,542,000 increase in Vehicle Hire. The remainder of the increase is attributable to the Maintenance Contracts (\$744,000) and Travel (\$25,000).

2/6/72

VEHICLE SERVICE - IX-B-4

VEHICLE SERVICE
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000)							
<u>Salaries and benefits:</u>							
Personnel compensation	61,818	73,929	12,111	19.6	80,916	6,987	9.5
Personnel benefits	4,902	6,283	1,381	28.2	7,001	718	11.4
Subtotal	66,720	80,212	13,492	20.2	87,917	7,705	9.6
<u>Travel:</u>							
Training - Travel	246	295	49	19.9	315	20	6.8
Travel and transportation of persons	77	120	43	55.8	125	5	4.2
Subtotal	323	415	92	28.5	440	25	6.0
<u>Transportation of Things:</u>							
Vehicle Hire	24,483	28,698	4,215	17.2	31,240	2,542	8.9
<u>Other Services:</u>							
Maintenance Contracts	6,938	8,011	1,073	15.5	8,755	744	9.3
<u>Supplies & Materials:</u>							
Supplies & Materials - Vehicle Support	41,631	46,521	4,890	11.8	50,023	3,502	7.5
Supplies & Materials - Training	2	5	3	...	6	1	20.0
TOTAL COMMITMENTS	140,097	163,862	23,765	17.0	178,381	14,519	8.9

2/5/72

VEHICLE SERVICE - IX-B-4 - RESOURCE REQUIREMENTS

VEHICLE SERVICE
Personnel Compensation and Benefits
1971 - 1973

Item	Fiscal Year 1971 (Actual)			Fiscal Year 1972 (Estimated)			Fiscal Year 1973 (Estimated)		
	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)
Personnel Compensation									
Permanent positions	5,725	5,598	51,777	6,540	6,395	61,351	6,879	6,726	68,706
Positions other than permanent	499	488	4,509	571	558	5,342	600	587	6,005
Subtotal - Basic Salaries	6,224	6,086	56,286	7,111	6,953	66,693	7,479	7,313	74,711
Other personnel compensation:									
Overtime .....	...	297	2,749	...	339	3,259	...	356	3,657
Holiday premium .....	...	27	249	...	31	295	...	33	331
Sunday premium .....	...	...	152	...	...	180	...	...	202
Christmas premium .....	...	...	19	...	...	23	...	...	25
Night differential .....	...	...	1,497	...	...	1,775	...	...	1,990
Retroactive salary increases and bonus payments .....	...	...	866	...	...	1,704	...	...	...
Subtotal - Other Personnel Compensation .....	...	324	5,532	...	370	7,236	...	389	6,205
Total Personnel Compensation	6,224	6,410	61,818	7,111	7,323	73,929	7,479	7,702	80,916
Personnel Benefits									
Health benefits .....	...	...	777	...	...	1,050	...	...	1,104
Retirement contribution .....	...	...	3,828	...	...	4,881	...	...	5,505
Group life insurance .....	...	...	245	...	...	290	...	...	325
Social security taxes .....	...	...	26	...	...	31	...	...	34
Uniform allowances .....	...	...	26	...	...	31	...	...	33
Total Personnel Benefits .....	...	...	4,902	...	...	6,283	...	...	7,001
Total Personnel Compensation and Benefits	6,224	6,410	66,720	7,111	7,323	80,212	7,479	7,702	87,917

VEHICLE SERVICE-IX-B-4
Personnel Compensation and Benefits

2/11/72

MAIL CONTAINERS
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973		Increase	
			Amount	Pct.	(Estimate)	(Estimate)	Amount	Pct.
<u>MANPOWER</u>								
1. Positions	735	728	- 7	-1.0	728	...	...	...
2. Man-years	723	716	- 7	-1.0	716	...	...	...
<u>COMMITMENTS (\$000)</u>								
a. Mailbag Repair Units and Depositories	6,695	7,306	611.	9.1	7,755	449	6.1	
b. Transportation of Empty Containers	2,745	3,000	255	2.0	3,270	270	9.0	
TOTAL COMMITMENTS	9,440	10,306	866	9.2	11,025	719	7.0	

2/7/72

MAIL CONTAINERS - IX-B-5

MAIL BAG REPAIR UNITS AND DEPOSITORIES
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions	735	728	- 7	-1.0	728	***	***
2. Man-years	723	716	- 7	-1.0	716	***	***
COMMITMENTS (\$000)	6,695	7,306	611	9.1	7,755	449	6.1

This account includes the administration and operation of mail bag repair units and depositories.

increases to be granted to PS-8's and below on July 20, 1972, and January 20, 1973, and the cost-of-living allowance to be granted August 18, 1972.

The \$449,000 increase in program costs for Fiscal Year 1973 covers the following:

Pay Increases	\$ 566,000
Non-recurring Bonus Decrease	-192,000
Within-grade Salary Increases	75,000

Pay Increases:

A \$566,000 increase is made up of the carryover costs from pay raises granted in 1972 and from the estimated 1973 costs of

Non-recurring Bonus Decrease:

A decrease of \$192,000 is due to a non-recurring bonus payment made in 1972.

Within-grade Salary Increases:

An increase of \$75,000 is due to within-grade salary increases.

2/15/72

MAIL BAG REPAIR UNITS AND DEPOSITORIES - IX-B-5a

MAIL BAG REPAIR UNITS AND DEPOSITORIES
Resource Requirements
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	
			Amount	Pct.	Amount	Pct.
<u>COMMITMENTS (\$000)</u>						
<u>Salaries and benefits:</u>						
Personnel compensation	6,170	6,732	562	9.1	7,136	404 6.0
Personnel benefits	520	569	49	9.4	614	45 7.9
Subtotal	6,690	7,301	611	9.1	7,750	449 6.1
<u>Travel</u>	5	5	...	...	5	... ..
TOTAL COMMITMENTS	6,695	7,306	611	9.1	7,755	449 6.1

2/5/72

MAIL BAG REPAIR UNITS AND DEPOSITORIES - IX-B-5a - RESOURCE REQUIREMENTS

MAIL BAG REPAIR UNITS AND DEPOSITORIES
Personnel Compensation and Benefits
1971 - 1973

Item	Fiscal Year 1971 (Actual)			Fiscal Year 1972 (Estimated)			Fiscal Year 1973 (Estimated)		
	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)	Positions	Man-Years	Amount (\$000)
Personnel Compensation	735	720	6,006	728	713	6,452	728	713	7,041
Permanent positions - Basic Salaries .....	...	...	...	...	...	...	...	...	...
Other personnel compensation:	...	...	...	...	...	...	...	...	...
Overtime	3	37	40	3	40	43	3	43	43
Holiday premium .....	...	2	2	...	...	2	...	...	2
Sunday premium .....	...	1	1	...	...	1	...	...	1
Night differential .....	...	42	45	...	...	45	...	...	49
Retroactive salary increases and bonus payments .....	...	82	192	...	...	192	...	...	...
Subtotal - Other Personnel Compensation	3	164	280	3	3	280	3	3	95
Total Personnel Compensation	735	723	6,170	728	716	6,732	728	716	7,136
Personnel Benefits	...	...	...	...	...	...	...	...	...
Health benefits .....	...	75	91	...	...	91	...	...	91
Retirement contribution .....	...	411	442	...	...	442	...	...	483
Group life insurance .....	...	27	29	...	...	29	...	...	32
Social security taxes .....	...	5	5	...	...	5	...	...	6
Employee awards .....	...	2	2	...	...	2	...	...	2
Total Personnel Benefits .....	...	520	569	...	...	569	...	...	614
Total Personnel Compensation and Benefits	735	723	6,690	728	716	7,301	728	716	7,750

2/7/72

MAIL BAG REPAIR UNITS AND DEPOSITORIES-IX-B-5-a
Personnel Compensation and Benefits

TRANSPORTATION OF EMPTY CONTAINERS

1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000)	2,745	3,000	255	9.3	3,270	270	9.0

This account includes (1) the shipment by highway, rail, and water of empty mailbags and other containers used in the processing and transportation functions, and (2) the cost of contracts for handling, storage, and preparation of such containers for shipment. It excludes such movement by Government vehicle service or vehicle hire.

The objective is to have available the correct number of proper sized containers at the right places at the time of need to move the mail.

The \$270,000 increase in cost for Fiscal Year 1973 is the result of having to move a larger number of mail bags that will be required to handle the anticipated volume of mail.

2/7/72

TRANSPORTATION OF EMPTY CONTAINERS - IX-B-5b

TRANSPORTATION OF EMPTY CONTAINERS
Resource Requirements
1971 - 1973
(\$000)

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
Mail Containers:							
Transportation of Things							
Domestic water	43	51	8	18.6	61	10	19.6
Foreign water	45	54	9	20.0	63	9	16.7
Star route service	502	545	43	8.6	585	40	6.8
Mail messenger	701	770	69	9.8	848	78	10.1
Railroad	1,454	1,580	126	8.7	1,713	133	8.4
Total - Transportation of Empty Containers	2,745	3,000	255	9.3	3,270	270	9.0

INTEREST EXPENSE
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
COMMITMENTS (\$000)	7,155	7,155	...	23,425	16,270	...

This account covers the interest on borrowing. The interest was computed on the basis of borrowing \$250,000,000 in 1972 with a delivery date of February 1972 at 6-7/8 percent for the

entire year and the interest of 7-1/2 percent for the last 4 months of 1973 on a new issue for \$250,000,000.

CATASTROPHE INSURANCE
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
<u>COMMITMENTS (\$000)</u>							
Catastrophe insurance	2,500	2,500	...	2,500	...	...

This account covers the reserve that has been set up to handle any catastrophes (fire, floods, etc) that could occur.

The reserve will be \$25,000,000 with \$2,500,000 being set aside every year for ten years.

2/5/72.

CATASTROPHE INSURANCE - IX-B-8

CONVERSION OF POSTAL FISCAL YEAR
TO GOVERNMENT FISCAL YEAR
1971 - 1973

ITEM	1971 (Actual)	1972 (Estimate)	Increase		1973 (Estimate)	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
Man-years.....	2,868	5,062	2,194	76.5	1,371	-3,691	-72.9
COMMITMENTS (\$000).....	31,761	81,114	49,353	155.4	32,280	48,834	-60.2

This activity provides for the costs associated with conversion from a postal fiscal year, which is the basis for all in-service estimating, reporting, and program evaluation, to a govern-

ment fiscal year. The \$48.8 million decrease in 1973 represents the effect of there being only one extra day, a Saturday, in the 1973 Government Fiscal Year compared with the Postal Fiscal Year, while in 1972 there were two additional days, both weekdays.

WEDNESDAY, MAY 17, 1972.

TESTIMONY OF MEMBERS OF CONGRESS AND OTHER
INDIVIDUALS AND ORGANIZATIONS

Mr. STEED. The committee will be in session.

We are in session today to take testimony from a number of outside witnesses on matters of importance to them which are contained in the Treasury, Postal Service, and General Government Appropriations Bill.

POSTAL MATTERS

WITNESS

J. EDWARD DAY, REPRESENTING THE ASSOCIATED THIRD CLASS
MAIL USERS

Mr. STEED. We are pleased to have the Honorable J. Edward Day, of the firm of Sidley & Austin, who is appearing to make a statement in behalf of the associated third class mail users.

Mr. Day, we welcome you before this committee both in your official capacity as former Postmaster General and also as a representative of the third class mail users.

Again we bid you welcome and we will be happy to have any statement you care to make.

Mr. DAY. Thank you, Mr. Chairman and Mr. Robison.

The purpose of my appearance is to talk about the phasing issue and revenue foregone appropriation request.

I would like to have my entire statement put into your record, if that is agreeable to you, and I will touch on some of the high points.

(Mr. Day's statement follows:)

Mr. Chairman and members of the subcommittee: My name is J. Edward Day. Since August of 1963 when I resigned as Postmaster General, I have been a partner in the law firm of Sidley & Austin. This is a large Chicago firm with which I began practice 30 years ago, and I am in charge of our Washington office. On July 1, 1968, our firm began representing as one of its clients the associated third class mail users, and I am the general counsel of that organization.

My purpose today is to urge this committee to include in the recommended appropriation for the Post Office an amount sufficient to cover revenue foregone in connection with compliance with the statutory requirements for phasing of the increased rates for third class mail.

You have no doubt heard many times that this phasing requirement and the related appropriations have put this committee into the postal ratemaking business. This statement is made as though having postal rates considered by this committee would be the ultimate horror of horrors, in view of the fact the postal corporation law was supposed to take the Post Office and postal ratemaking out of politics.

For my part, I would be glad to have this committee be the one to pass on postal rates—provided you were able to take the time to hear and consider all the statistical and factual and legal material necessary for deciding whether proposed rates met the various statutory criteria. I am satisfied if your committee or some other congressional committee could hear the case, you would come up with a realistic and reasonable decision—because I don't think Congress generally is interested in putting people out of business by imposing arbitrary and excessive financial burdens.

However, we all know you cannot take on the ratemaking job. The Postal Rate Commission, which does have the job, has run up a 14,000-page hearing transcript, plus 1,000 filed documents and several hundred exhibits, in their effort, begun a year ago last February, to decide what rates to recommend. And they have not made their recommendation yet.

WHAT HAS HAPPENED DURING THE PAST YEAR

A year ago, I appeared before this subcommittee to urge that the full amount of revenue foregone be appropriated. Thereafter this committee and the Congress approved an appropriation that was somewhat less than the Post Office had originally asked for. There was nothing very startling about that. I never heard of a year, no matter how far you go back, when the Post Office appropriation request was rubber-stamped and when it got everything it asked for. In making the modest cut in the Post Office request, the Congress made clear the reduction was not tied to any particular item of the Post Office budget. It was a lump sum appropriation and nothing was said in the legislative history about tying the reduction to any class of mail. The legislative history made clear that Congress felt that the total appropriation was sufficient to permit the Post Office to carry out all its responsibilities.

However, despite this clear record, the Post Office lawyers insisted there had been a failure to appropriate money to make up for revenue foregone by phasing of rate increases for third class mail. They argued that therefore there could be no phasing of the third class increase and that the full increase would have to go into effect at once—despite the fact that in the lengthy proceedings before the Rate Commission the Post Office had never claimed—or put in evidence to show—that a full, unphased, all-at-one-time increase for third class was fair or met the statutory criteria.

The issue was taken to court here in Washington and one of the most able and experienced U.S. District Court judges, Hon. George Hart, concluded that there had been no failure to appropriate and blocked the Post Office effort to jump the third-class rate. On appeal a three-judge panel of the court of appeals side-stepped the "failure to appropriate" issue entirely. It held that there was no requirement at all that the Post Office allow phasing of the initial round of temporary rates and since the higher rates now being charged are "temporary," phasing was not required. This decision is being appealed to the Supreme Court. The court of appeals did not express any disagreement with the opinion of Judge Hart on this key issue of failure of appropriations. The court of appeals decision can properly be read as supporting Judge Hart's conclusion that there has been no failure of appropriations. The court of appeals said:

"The appropriations process, on which phasing is contingent, is not well suited for supplying revenue deficiencies in connection with a situation calling for temporary rates. If Congress were to make an appropriation for revenue foregone with respect to temporary rates—prior to the time that a final decision is reached by the Postal Rate Commission—it would be placed in the position of having to assume the propriety of the requested full rate in order to have a base from which to compute the reduction represented by phasing."

In the meantime, the Rate Commission has the "failure to appropriate" issue before it as to permanent rates and I am confident they will conclude there has been no failure to appropriate and that phasing of third class permanent rates is required.

OUR REQUEST TO THIS SUBCOMMITTEE

Indications are that temporary rates will end in about 6 weeks and will be superseded about July 1 by permanent rates. In a way, then, we are faced with a new ball game on the phasing and revenue foregone issue. We feel this committee and the Congress by no means intended a "failure to appropriate" last year. But time and money have been expended in argument over the issue before the courts and the Rate Commission.

In the event this committee recommends something less this year than the full amount called for for providing revenue foregone for all classes of mail eligible, under the statute, for phasing, we urge that the intention to avoid a "failure to appropriate" result be made even more crystal clear—so that even the Post Office lawyers will understand the intent. This could be done by a simple sentence, as follows:

"The overall appropriation is not to be construed as a 'failure to appropriate' funds for any particular purpose."

I feel this would avoid all the uncertainty and expense that have been experienced this past year. In this way, the Congress could make even more clear to the Post Office that it is the Rate Commission which does the ratemaking and rates are not to be set by the Post Office or the OMB through manipulating requests for revenue foregone funds.

A FEW FACTS ABOUT THIRD CLASS MAIL

The OMB has singled out regular rate third-class mail as the only category for which revenue foregone appropriations should not be made, ostensibly on the grounds that a prolonged subsidy for such mail cannot be justified in light of the fact that it is primarily advertising material and therefore of no particular interest to its recipients. Another purpose of my appearance today is to correct the claim of the Office of Management and Budget that regular rate bulk third-class mail is not important to the public and is not carrying its own costs and that therefore the proposed 28-percent rate increase for this category should be the only increase not subject to the phasing provisions of the Postal Reorganization Act.

The assumptions underlying OMB's discriminatory approach to regular rate third-class mail are wholly erroneous as has been recognized by the officials presently managing the Post Office. Despite loose statements by persons at OMB, who have no known background or qualifications in postal rate matters, the Post Office cost data shows conclusively that third-class mail is by no means enjoying a "free ride" on the basis of a subsidy.

Since 1953, rates for bulk third-class mail have increased 300 percent. Revenue from regular rate bulk third-class mail will amount in fiscal year 1972 to 172.0 percent of those costs which the Postal Service attributes to this category. With the 28-percent increase in effect, this coverage figure is now 207.7 percent.

In his testimony before the House Post Office and Civil Service Committee considering the Postal Reorganization Act, Postmaster General Blount stated that it was a "myth," based on "fuzzed up" costs, that third class does not carry its own way. Assistant Postmaster General Hargrove testified before the Postal Rate Commission that the contribution third-class mail makes to reducing first-class rates outweighs any nuisance factor which some people attach to third class.

An excellent summary of the Post Office's understanding of this point is provided by testimony by Mr. Blount in another hearing before the House Post Office Committee. Here is what he said:

"Furthermore, we are faced with a very real competitive situation in pricing third class mail. Private carriers have achieved much success and more publicity from their efforts to take away from the Post Office substantial quantities of third class mail by offering better service at lower rates. True, they have only undertaken to serve the best areas, and it is only by this process of 'cream skimming' that they can accomplish what they are doing. But, granted these facts, the Post Office still faces the loss of some of its most lucrative third class business. And since third class mail, as we have developed, pays more than its incremental costs, any diminution of that volume would increase the burden of institutional costs to be borne by the other classes, primarily first class. *Accordingly, the case is made that loss of third class mail ultimately works to increase the postage required of first class mail. Without third class mail, first class letters would cost mailers more.*" [Emphasis added.]

It is this realization—based on an impartial and knowledgeable analysis of the costs and rate structure of the Post Office—coupled with an appreciation for the language and intent of the act, that undoubtedly led the Post Office in 1971 to include in its budget request to the Office of Management and Budget the full appropriation for revenue foregone under Sec. 2401(c). In failing to request an appropriation for revenue foregone for regular rate third-class mail, the OMB apparently feels it is on safe political ground and therefore can ignore or distort the revenue contributions to the Post Office of third-class mail because of its alleged unpopularity.

Even this factor, however, lacks any firm support. Here is another myth—that large amounts of unwanted advertising mail deluge every household daily—that can be put to rest quite easily based on recent authoritative studies. The Kappel Commission report found that the average number of pieces of bulk mail advertising received per week by all households in the United States is less than three pieces—2.8 to be exact. And this isn't the figure for a typical household at all, because for households in the lower income categories, the average is only about two pieces of such mail per week. Even for the relatively few households with an annual income of \$20,000 or more, the number of pieces of bulk mail is only 7.2 per week.

The most simple and direct response to the OMB suggestion that third-class mail is not wanted by its recipients is that if people really didn't want it or read it or respond to it, it wouldn't be used. Obviously, it works. Obviously, it suc-

ceeds. Probably in many situations it is the most efficient form of advertising, because it permits targeting in on a specific group of more likely customers or a more promising geographic area. Furthermore, much of the advertising mail sent by third class is directed at those who are already customers of the mailer, and there is a clear element of recipient interest, if not direct solicitation, in such mail.

Most bulk third-class mail is advertising. The Federal Trade Commission has embarked on a vendetta against advertising. Some congressional committees are joining in the attack. The Post Office rate proposals are an attack on advertising. Some may look forward to the day when we make all our purchases in government stores of products without brandnames and with only generic identification and no advertising promotion. When that day comes, my guess is the unemployment rate will be several times what it is now and the Federal deficit will be three or four times \$40 billion.

THE CURRENT RATE INCREASE FOR THIRD-CLASS MAIL IS UNJUSTIFIED

It's possible someone might say: Denying phasing for third-class mail only means they start paying now the full amount which they ought to pay under scientific rate principles.

Therefore I'd like to talk briefly about where this 28-percent rate-increase proposal for bulk third-class came from.

It's been analyzed and categorized and rationalized so much one might mistakenly get the impression that it was the product of objective, scientific, non-political ratemaking.

The fact is that it is purely a political rate proposal. It is part of a pattern of blatant political decisionmaking on third-class mail which is 100 percent contrary to the nonpolitical approach the postal corporation was supposed to achieve.

On April 3, 1970, the same postal management that initiated the current rate proceedings—and the administration—announced a general postal rate increase proposal. This proposal coincided with the completion of the Post Office's new, revised revenue and cost analysis, the exact same cost methodology upon which the Post Office bases its case in the current Rate Commission proceedings. The April 3, 1970, proposal called for a 10-cent rate for first class and a 4.2-cent minimum per-piece rate—which was a 5-percent increase—for regular bulk third class.

From the standpoint of fair, pressure-free, nonpolitical postal ratemaking, this recognition on April 3, 1970, that no significant rate increase was justified for bulk third-class was a high point.

In making this proposal for a total rate increase for bulk third class of 0.2 cent (or 5 percent) in April 1970, the Post Office was presenting its best judgment of the appropriate rate for this class, based on a conscientious and objective evaluation of the cost and revenue data from its new improved costing system.

But very soon, politics entered the third-class rate picture and it has stayed there ever since. Just as soon as the 10-cent rate for first class was proposed there was some political carping and sniping. Various leading political figures spoke up in opposition.

Thereupon, the nonpolitical, objective approach was scuttled and by April 15, 1970, a new rate increase proposal was sent to Congress. It was about the same as the currently pending proposal in total estimated revenue. It provided for an 8-cent, first-class rate. And, instead of a 5-percent increase for third class, it asked for a 33-percent increase.

At the subsequent hearings the Post Office witnesses had to go through some weird gyrations to try to rationalize this quick switch from a fair and reasonable rate proposal for third-class to a political rate proposal.

We have heard a great deal about scientific application of rate principles and of sound judgment in arriving at the current rate proposals. But the exact same people were in charge on April 3, 1970, as in February 1971, when the current proposal was submitted. They had the same revised revenue and cost analysis approach available to them on April 3, 1970, as in February 1971 and now.

So let's not swallow the claim of the Postal Service that the political rates they now propose are the only ones acceptable under proper scientific principles and under reasonable exercise of judgment.

Faced with the task in the Rate Commission proceeding of seeking a rate increase for third class that would amount to over five times its proposal of the year before, the Post Office fastened on an approach that made up in ingenuity what it lacked in fairness and equity. Simply stated, this approach amounted to charging third-class mailers "all the traffic would bear."

In proposing an unprecedented full-cent increase in the minimum per-piece bulk third-class rate, Mr. Hargrove gave as his opinion that the "fairest burden" for this class to bear would be "the largest reasonable one that it will not balk at carrying." Referring to the principle of charging "all the traffic will bear" in connection with third-class rates, Mr. Hargrove stated that "application of that principle has led to what I would call a hard-nosed proposal to raise such rates to the point that we derive the maximum contribution to revenue therefrom."

The Post Office determined to treat bulk third-class mail as a residual source that was to supply the entire difference between total revenue requirement and the sum of the revenue from other classes by paying rates set on an "all-the-traffic-will-bear" theory. It is hardly any wonder that the result of this indefensible and discriminatory approach produced a ridiculous result in terms of the contribution of first class to the large amount of costs that the Post Office claims are fixed, or "institutional." Thus first-class mail, which enjoys premium service, would contribute revenues amounting to 199 percent of its attributable costs under the Post Office proposals, while bulk third class, a deferred service whose users must prepare and presort their own mail, would contribute 207.8 percent of the costs the Post Office attributes to this class.

There has never been such a large increase as the current full-cent increase in the temporary minimum piece rate, effective all at one time, in the history of regular rate bulk third class.

THE PRICE CONTROL BIND

Many third-class mailers are in the mail order business or other branches of the retail business. By an unfortunate accident in the working of the executive branch, these third-class mailers are caught in an ugly bind. Under the price controls as laid down by the Price Commission, they cannot pass on the large and discriminatory postal rate increases with which they have already been hit. Under the price regulations, a retailer cannot pass on increases in overhead costs. He can only pass on increases in the cost to him of the product he sells plus his usual percentage markup.

CONCLUSION

We urge that, even though the budget request before you has attempted to deny money for revenue foregone for third-class mail, you make clear that nothing in your appropriation action is to be construed as a denial of or failure of appropriations for any particular purpose.

It is entirely possible that the recommendation we are making to you would be affected by the ultimate recommended decision of the Postal Rate Commission. That recommended decision may become available any day. I would hope, if that decision does contain recommendations which bring about changed circumstances, that I might have an opportunity to reappear here briefly to supplement my statement.

I appreciate the opportunity to appear here today.

Mr. DAY. This week is the unhappy birthday of the temporary rates. The Post Office said, when they were selling the Postal Corporation idea, that it should be possible to get the permanent rates in and have the hearings in 90 days. It already has been 470 days, and the temporary rates have proved to be about as temporary as the old Navy Building was over on Constitution Avenue. They are still going. The indications are, from the program the Postal Service has announced, that we will have temporary rates in effect about 70 percent of the time and permanent rates just a few inbetween times.

The usual statement is, of course, that the phasing requirement and the related appropriations have put this committee into the ratemaking business. Some people talk about that as though that would be the very worst horror of horrors, to have this committee passing on the rates. I would be glad to see this committee do it provided you have the time to hear all of the statistical, factual, and legal material that is necessary for deciding whether proposed rates meet the statutory criteria under this new statute.

I am satisfied that your committee, or some other congressional committee, would come up with a realistic and reasonable decision because I do not think Congress generally is interested in putting people out of business by imposing arbitrary and excessive financial burdens.

However, you cannot take on the ratemaking job. The Postal Rate Commission, which does have the job, has run up a 14,000-page hearing transcript, plus 1,000 filed documents and several hundred exhibits in the effort which they began a year ago last February to decide what rates to recommend.

As you recall, a year ago I and some of the others of us appeared before this committee to urge that the full amount of revenue foregone be appropriated, including the portion of the revenue foregone request applicable to bulk third-class mail, regular rate. Thereafter this committee and the Congress approved an appropriation that was somewhat less than the Post Office had originally asked for. There was nothing really very startling about that. I never heard of a year when the Post Office got every penny it asked for or when its appropriation request was rubberstamped, but in making that modest cut the Congress in our opinion made it clear that the reduction was not tied to any particular item of the Post Office budget. It was a lump sum appropriation and nothing was said in the legislative history about tying the reduction to any class of mail.

However, despite this clear record, Post Office lawyers insisted that there had been a "failure to appropriate" within the meaning of the Postal Reorganization Act. This was failure to appropriate money to provide the revenue foregone for the phasing of third-class mail rate increases. They argued that there could be no phasing of the third-class increase and that the full increase would have to go into effect at once, despite the fact that in the lengthy proceedings before the Rate Commission the Post Office had never claimed or put in evidence anything to show that a full, unphased increase all at one time for third-class was fair or met the statutory criteria.

Just to tell a little bit about the background of what has happened in this intervening year, this issue of whether there had been a failure to appropriate was taken to court here in Washington. Mr. McGiffert, who will be talking to you this morning, handled that case. One of the most able and experienced district judges here in Washington concluded that there had been no failure to appropriate, and he blocked the effort of the Post Office to jump the third-class rate up to the full amount of the increase rather than having it phased over 5 years.

There was an appeal taken, and a three-judge panel of the court of appeals bypassed and sidestepped the issue of failure to appropriate and instead they said, at least in this initial round of temporary rates, there did not have to be any phasing for any class of mail, that phasing was meant to be applicable only to permanent rates.

That decision is being appealed.

However, the court of appeals did not express any disagreement with Judge Hart's opinion in the district court that there had been no failure to appropriate.

In the meantime the Rate Commission, which still has not come out with its recommended decision, it is expected at the end of this month, they have this failure to appropriate issue before them as to permanent rates. There have been briefs filed and argument on that issue

there. Really, then, we have a new ballgame as far as phasing and revenue foregone are concerned because of the fact that the Rate Commission is going to be coming up with a decision applicable to the permanent rates, and whether or not the court of appeals' decision that phasing does not have to be applied to temporary rates, whether that holds up or not they certainly apply to the permanent rates, and they will be coming along fairly soon.

We feel that the committee and the Congress did not intend a "failure to appropriate" last year, but there has been a tremendous amount of time, money and argument expended on this issue back and forth, and we hope, of course, that the subcommittee would recommend the amount of money required to permit the phasing and that they would not have any reduction in the appropriation as far as revenue foregone. However, if there is a reduction in the requested amount, the amount requested by the Postal Service, we hope that the committee and the Congress will make it crystal clear, even clearer than they made it last year so there will not have to be this litigation and this uncertainty, that there is no failure to appropriate.

I have set out on page 5 of my statement just three lines that we wish you would consider putting into your report in the event there is a reduction in the appropriated amount.

Needless to say I mention this only as a second alternative because we hope it will not be necessary to have any such statement and that the full amount will be appropriated. However, if that does not happen we hope it will be stated specifically in the report that the appropriation is not to be construed as a failure to appropriate.

I have put in my statement some information for those in contrast to yourselves, some of the others on the committee, who may not know as much about the Postal Service, third-class mail, and about the background of third-class mail.

You may recall that in their recommendation the amount for phasing third class not be increased the OMB said last year that there should not be an appropriation for the purpose because we would be continuing to get a subsidy. That is an unfortunate impression which has been proven to be inaccurate, and fortunately the Postal Service admits that it is inaccurate because they have pointed out consistently that the third-class mail not only carries its own carrying costs, its own attributable costs, that it contributes a very significant amount to institutional costs, but makes it possible to keep the first-class rate down.

Mr. Blount has stated, as I quote at the bottom of page 7, that the "loss of third-class mail ultimately works to increase the postage required of first class. Without third-class mail, first-class letters would cost mailers more."

We have set out there at the bottom of page 6 the figures about the percentage of attributable cost which is actually carried by bulk third-class mail. You will see that with the increase which is now in effect this coverage figure is 207 percent. As Mr. McGiffert will point out, that is much higher than other classes of mail which have been allowed phasing.

The fact is that bulk third-class rates, even before the current increases, had gone up 300 percent since 1953. At the same time the first class rate was going up 100 percent. The 28-percent increase for third class which is involved in the Postal Service proposal and is now being

charged is very close to what the average increase for all classes of mail is in the pending proposal. It is not a low increase. It is not a situation to pick up a subsidy.

We take the position, and we have documented it thoroughly in the hearing before the Rate Commission, that the third-class mail is already paying its full share, so OMB's statement that we should not be allowed to continue a subsidy was not a justified observation about third class.

The OMB I believe has felt they could ask the phasing be dropped for third class because they think third class is not a popular type of mail. Well, the short answer is that if third class were not successful it would not be used. For the rank and file of people other than those in the more affluent group, the number of pieces of third-class advertising mail received per week is less than three pieces. Third class advertising mail is sort of a status symbol for people who have big incomes, credit cards, charge accounts, and subscribe to a lot of magazines, and so on. They get on lists and they get more pieces of third-class mail, but the impression that the public generally is swamped with a deluge of unwanted advertising mail is not correct.

I note a sort of vendetta in various parts of the Government against the whole institution of advertising. The Federal Trade Commission seems to have embarked on a real campaign against advertising. Some of the people over in the Senate seem to be intent upon proving that advertising is unsound and useless. I think some people want to see the day when all of our purchases are in Government stores of products that have only generic identification and no advertising promotion. Third class mail is a legitimate and often the best method of advertising for certain types of firms. It permits zeroing in on a particular group of prospects rather than going around broadcasting to everyone, particularly for neighborhood shopping centers or facilities of that kind. Third class is the best means of advertising.

Just one final little thing. We do have this tremendous rate increase which has been put on third class all at once. It is the largest all at one time increase there ever has been in the history of third class mail.

In the meantime, the Price Commission tells us for a retail organization we cannot pass it on, so we are in quite an ugly bind as far as the overall working of the Government on this institution is concerned.

The reason it works that way in the price controls is because, as you gentlemen probably know, in contrast to manufacturing firms, retail firms and wholesale firms cannot pass on their overhead costs. They can pass on only increases in the price of things which they purchase and add to it their usual percentage markup. That, then, is the gist of my statement, Mr. Chairman.

I will be glad to discuss any of the details in which you are interested.

Mr. STED. As you know, we will get to some of these changes next week. It is interesting to have an updating on the status of the situation.

The Rate Commission posed difficult problems for this committee last year. The rate situation was up in the air.

I am somewhat distressed that we are coming up again with another year of decision and we are still in this temporary rate category. It makes our job much more difficult.

The Post Office Department again this year is insisting that we appropriate with specifying language rather than a lump-sum approach we chose last year. This puzzles me somewhat because I remember even back in your days as Postmaster General, those before and since, when the committee had charge of the entire postal budget they always pleased for all the transfer authority that the committee would give the Department. We kept insisting that funds be identified and tied down.

It seems to me that now they are in a rather different position when they insist we tie down funds rather than making what we appropriate unrestricted. That was one of the reasons for making the corporation. Since they have total transferability of all other funds under their control it seemed only consistent that we make the funds we provide them have the same standing.

That being true, of course that requires what I consider a lump-sum appropriation on our part. If they have that total transferability it is arbitrary on their part to say that one class of mail or any other function down there is underfunded and therefore extra charges should be levied against it. Any shortage of funds for any function of the Department is by their own discretionary decision and not any action on our part.

I think we have to follow the same pattern this year as we did last regarding lump-sum appropriations. To do otherwise means that we have again injected ourselves into their argument about rates. The purpose of having the Rate Commission was to get this sort of function of the Congress out of our hands and into the hands of so-called board professionals. The very fact they have not seen fit to finalize their rates yet still does not change the basic feeling I have that to inject ourselves knowingly into the rate situation is not in keeping with the intent of Congress when they passed this Appropriation Act. I believe it would have just the opposite effect.

It is for that reason I think we are doing the proper thing when we give them a lump-sum appropriation.

Mr. DAY. One reason why we urge that this sentence I suggested be included in your report is because you have a sort of chicken-and-the-egg situation right now on the phasing issue. The Postal Rate Commission probably will be coming out with something in a couple of weeks. Then under the statute, as a practical matter, those rates, if they are going to go into effect, will have to go into effect in 30 days.

Mr. STEED. Is that not all the more reason why any appropriation we make ought to be in a lump-sum category rather than by tying them down to where they might be in direct conflict with the Postal Service's best interest?

Mr. DAY. I think they should be a lump sum, Mr. Chairman. However, last year, even when they were a lump sum, and even though there were many statements in the legislative history, in the report, in your comments, in the comments of other members in both Houses, nonetheless, because of the fact that there was an amount of money that seemed to be identifiable which was not included in that lump sum, it was argued by the Post Office that that was the amount of money that was intended for phasing of third-class mail, and therefore they have argued before the courts and before the Rate Commission that there was a failure to appropriate—so the lump sum did not really achieve its entire purpose under their interpretation.

We think a lump sum, with this further sentence in there, negating any idea to bring about a rate effect, a postal rate effect, would even further achieve your purpose.

Mr. STEED. There is one further thing that happened. In the supplemental which followed the original appropriation, after wage increases had been negotiated with the union, this automatically imposed an additional situation, so we approved in its entirety the additional funds the Post Office Department asked of Congress. The other body made a slight cut in it which was agreed to in conference, but basically this is further proof of a lump-sum appropriation and the fact that on all grounds of legitimate claim we were not failing to appropriate.

I think that supplemental action more or less automatically covered the wage increase costs and it was further evidence we were trying to stay in proper balance with the original intent of the Postal Reorganization Act. I would resist any charge that we were in a position of failing to appropriate. We were trying to establish what the fair claim on Congress was. Certainly it had nothing to do with any internal rate quarrels which were part of their operation.

Mr. DAY. We are not even positive what the position of the Rate Commission is going to be on the phasing issue. They declined to take jurisdiction over the phasing as far as the temporary rates were concerned. We have the real possibility that the question of whether phasing is to be allowed for a particular class of mail may be left entirely in the Department's hands. They have already indicated their position which we think needs to be corrected by even further clarifying language.

Certainly the fact of the lump sum should have solved the problem. The Congress and the legislative history made it clear that Congress intended to appropriate all the money they thought the Post Office needed to carry out all of its obligations. This was one of its obligations. However, this one was singled out as though Congress pinpointed this one item as the item they did not want to have the money spent for.

The legislative history did not bear that out and Judge Hart's decision recognized the legislative history properly. However, now we have a situation where we are threatened with having to go through all this lengthy controversy in courts and before the Department all over again. We hope there could be a sentence to relieve us of all that doubt.

Mr. STEED. There is no doubt but what we will include that in the overall consideration we have to give this subject. It merely leaves us in another bad spot because the rate situation has not been finalized and it merely creates a problem for us which we had anticipated would not be there.

Mr. DAY. I would hope, and I think it will happen, that before you might complete your action on this appropriation that the Rate Commission would have announced its recommended decision.

Mr. STEED. It would be of assistance to us if they had the decision finalized.

Mr. ROBISON, do you have any comments?

Mr. ROBISON. No, Mr. Chairman. I think you and Mr. Day have covered the subject adequately.

But I would join with you in the hope that there would be a helpful resolution of the issue on the part of the Rate Commission before we have to tackle the problem.

Mr. STEED. I think we have a duty imposed on us to look at the total postal budget. There may be some things they see fit to include in their budget that we do not think are any part of the obligation they have. Last year they had an item creating a sizable cash reserve which we did not consider bad on their part, but we also did not consider it an obligation on the part of Congress to make a sizable contribution to it.

We have a current problem with them regarding payments into the Retirement Fund for annuitants. So far they have the Bureau of the Budget on their side and taxpayer is anteing up its share of those wage costs, despite the fact that the Postmaster General has taken the position that that is one of the fringe benefits that collective bargaining was intended to include. We find ourselves with the postal organizations out here wanting us still to bail out the fringe benefits they lose and still have the freedom to negotiate for more. This seems to be a matter which will have to be finalized this year. Either they will be self-supporting or they are not.

We omitted the funds for their share of the contribution to the Retirement Fund in the supplemental and have called on GAO for some guidance as to whether we pick this item up in the regular bill. The legislative history on that is very loose. It is just another unforeseen problem which has come up. It involves over \$1 billion.

If further wage negotiations result in further increases this problem could become much greater. I would think mail users would be somewhat concerned about the way that goes.

Mr. DAY. We are very concerned indeed about that very point. You may recall it was announced several months ago that there would be another big rate increase request to be effective after January 1, 1973, which would mean it would probably have to be put in in the late fall, anyway.

When Mr. Klassen came in, he said he hoped that could be deferred. I read only yesterday that he was quoted as saying that because of this development on the contributions to the Retirement Fund he may not be able to postpone it. We are greatly concerned because the wallop of this increase we have had now is bad enough, but another one of the same size on top of it will bring a tremendous amount of competition into postal operations and change the whole nature of the Post Office.

Mr. STEED. I am sorry the legislation is not clear on it. That is why we went to GAO for some advice and help on it. As of this moment we are unable to get a clear view as to whether it is an obligation we should meet.

Let me express my appreciation in behalf of the subcommittee for your appearance, Mr. Day.

Mr. DAY. Thank you, Mr. Chairman and gentlemen.

Mr. STEED. I have to go down and vote in this caucus. I shall be back as soon as possible.

(A short recess was taken by the subcommittee.)

POSTAL MATTERS

WITNESS

HUGH M. BOWER, VICE PRESIDENT OF HALLMARK CARDS, INC.,
APPEARING IN BEHALF OF THE NATIONAL ASSOCIATION OF
GREETING CARD PUBLISHERS

Mr. STEED. The committee now is pleased to welcome Mr. Hugh M. Bower, vice president of Hallmark Cards, Inc., who appears in behalf of the National Association of Greeting Card Publishers.

I believe you have an associate with you, Mr. Bower?

Mr. BOWER. Mr. Paul Foley, an attorney.

Mr. STEED. We will be pleased to hear whatever statement you have to make.

Mr. BOWER. Thank you, Mr. Chairman.

My name is Hugh Bower and I am vice president of Marketing for Hallmark Cards in Kansas City. I appear in behalf of the National Association of Greeting Card Publishers as spokesman for the greeting card industry, but in a larger sense I would like to feel I represent the general public, the actual mailers of Christmas cards. My concern is for the individual postal patron's use of the mails to dispatch greeting cards, more especially Christmas cards.

From time to time we receive letters from the public at large calling our attention to spiraling postal rates and asking we do anything within our frame of reference to control them. I imagine other greeting card publishers receive similar letters from users of their products.

The point I would like to make is that the current structure of the postal rates provides a tax-supported tax-structure for business mail which accounts for 80 percent of the 60 billion pieces of mail presently mailed.

Each increase in postal rates brings with it a corresponding and proportionate tax deduction for business, so that the net additional expense truly is only approximately 50 percent of the increase itself. No such relief exists for the individual.

Each postal increase is passed along in its entirety to the individual or private user of the mails, many of them elderly, many on fixed incomes, and perhaps more than other citizens look forward to the joys of remembering or being remembered through the medium of greeting cards.

Approximately one-half or some 6 billion pieces of nonbusiness mail annually is greeting card mail. In turn, approximately half of this, some 3 billion of these cards, are Christmas cards.

We are concerned lest the Postal Service use the appropriation bill of this committee to further its evasion of the clear intent and purpose of the Postal Reorganization Act as it relates to mailing of Christmas cards by the general public.

The first section of that act sets the postal policy and states: "The Postal Service shall have as its basic function the obligation to provide postal services to bind the Nation together through the personal, educational, literary, and business correspondence of the people."

The traditional annual renewal of warm regards and unfettered glad tidings among the legions of our citizens has been the Christmas card.

Unfortunately, despite the population increase and gain in affluence, the absolute number of Christmas cards in recent years has been in a decline which we feel is in large measure attributable to arbitrary denial by the Postal Service of the class and level of service best suited for Christmas cards. The Postal Service persists in illegally foisting on the general public a high cost class and service for Christmas cards which millions of mailers neither need nor want.

I am sure the members will recall the traditional alternative given to mailers of Christmas cards of leaving the envelope unsealed and otherwise complying with third class requirements and thereby utilizing the lower rate. The characteristic delayed handling, non-forwarding and nonreturn of third class were satisfactory for about half of all Christmas cards which were mailed when this selection was last available.

Unfortunately, Congress for the purpose of increasing revenue included in the Postal Revenue and Federal Salary Act of 1967, Public Law 90-206, effective January 7, 1968, an increase in the single piece third-class rate to 6 cents for the first 2 ounces plus 2 cents for each additional ounce. For the first time, this made the single piece third-class rate for a 1 ounce piece the same as for the 1 ounce first-class letter. It is clear from the reports accompanying this enactment that no consideration was given to the different service provided the different classes, and the Post Office Department had not requested the increase but rather that it was a revenue expediency.

The resulting parity between the minimum first class and single piece third-class rate effectively destroy third-class mailing of Christmas cards because there is no rate differential.

The temporary rates in effect now and the permanent rates proposed by the U.S. Postal Service would continue this parity as a matter of policy for revenue purposes and the third-class, first-ounce, single-piece increase is not phased. The hearing examiner's official findings and recommended decision held that the exclusion of only the minimum single-piece rate from phasing was improper and contrary to the act.

Since there is a matter before this committee of requested appropriation for revenue foregone as the result of phasing of increases in third-class rates, we wish to call several matters to the attention of the Committee lest the interest of the general public be overlooked because of previous unrelated interests of commercial mailers.

1. The savings incident to the delayed handling, nonforwarding and nonreturn of third-class are generally recognized as warranting a 2-cent or more differential.

2. Commercial mailers with permits can mail their Christmas cards for 5 cents. Additionally unlike the general public, to commercial mailers this would be a business expense.

3. It would follow that really there would be no revenue foregone by permitting the general public to mail at phased third-class rates or splitting the first from the second ounce grouping as the minimum for

single-piece, third-class rates and charging the general public 6 cents. Because of the hearing examiner's ruling that phasing is required for the minimum rate to the same extent as other third-class rates the foregoing alternatives are presently before the Postal Rate Commission.

Our present concern is that by inadvertence the language adopted by this committee in an appropriation or the report or statements related to it might be such that it could be seized upon by the Postal Service for purposes of denying the general public a phased rate for third-class mailing of Christmas cards.

The members of this committee and its staff are experts in this field and we leave it to them to protect the interest of the general public as we have outlined.

Mr. STEED. Thank you, Mr. Bower. I think I can state that at least up to this time this subcommittee has gone to great length to keep from being involved in ratemaking. I think we will continue to try to stay out of that activity. It has been a difficult problem because the Rate Commission has not concluded its work and taken this whole issue out of the area where it is concerned with any action we might take.

I do hope before we finalize our work here that they will be in a position of having made some decisions that will be a better basis for us to make decisions.

We want to fulfill every obligation the law imposes on Congress, but also we have to be very careful about any precedence we set or any basic authorities. We feel by making our appropriations as we did last year in a lump sum we were giving the Postal Service a much broader opportunity to meet its problems than had we followed their suggestion of identifying by separate items funds made available, because when we do that we get into earmarking and we get into the difficulty they have always had of nontransferability of funds.

One of the major reasons for the postal corporation was to give them control of their own funds without restriction. For them now to come in and ask us to participate in their arguments by identifying these funds by titles they suggest seems to suggest there is retrogression with the whole idea. We are interested only in determining the amount of funds that the Congress is committed to provide to give the overall Postal Service the help it has a right to ask Congress for, and from that point on the assignment and use of these funds is a matter for them to decide.

I am sure if we try to put other restrictions on them in the use of funds we would find the same resistance which occurred in prior years—that they would not want our counsel or advice to that extent. That is why I think we will stay as far out of this ratemaking issue as we possibly can and still be able to determine whatever amount of funds Congress should provide.

Mr. Robison?

Mr. ROBISON. I appreciate Mr. Bower's coming before the subcommittee and calling our attention to this problem which might otherwise have missed our attention. He has properly called our attention, also, to the individual citizen, the private user of the mails, in whose behalf we have and should have a special concern.

Thank you for your appearance here.

Mr. STEED. Mr. Roybal?

Mr. ROYBAL. I am sorry that I was not here to hear the complete testimony. I shall read it, however.

Thank you for your presence.

I have no questions, Mr. Chairman.

Mr. STEED. Thank you very much, Mr. Bower. We appreciate your appearance and the information you have made available to us.

Mr. BOWER. Thank you, sir.

POSTAL MATTERS

WITNESS

DAVID E. MCGIFFERT, PARTNER IN THE LAW FIRM OF COVINGTON & BURLING, WASHINGTON, D.C., APPEARING IN BEHALF OF THE DIRECT MAIL ADVERTISING ASSOCIATION

Mr. STEED. Next is Mr. McGiffert. The committee now is pleased to welcome Mr. David E. McGiffert, who is appearing in behalf of the Direct Mail Advertising Association.

Mr. McGiffert, if you would like to identify your associate for the record, we will be glad to have any statement you desire to make.

Mr. MCGIFFERT. I have with me Mr. Robert Foley of DMAA. I would like to summarize part of my statement and follow rather closely another part which relates to some of the discussion that you had with Mr. Day at the close of his testimony.

May I ask at this point that my entire statement be included in the record?

Mr. STEED. Yes, we will be happy to include the statement in full and to have your summary comments.

(Mr. McGiffert's statement follows:)

Mr. Chairman and members of the subcommittee: My name is David E. McGiffert. I am a partner in the law firm of Covington & Burling here in Washington and appear before you on behalf of the Direct Mail Advertising Association (DMAA). I have been counsel for the association in both the current proceedings before the Postal Rate Commission and the litigation concerning temporary third-class rate increases which is still before the courts.

My purpose here today is to discuss the fiscal year 1973 appropriation for phasing of increases in permanent postal rates. As you have already heard from Mr. Day, there has been no final decision from the courts or the Rate Commission, even after nearly a year of controversy, as to whether Congress intended to grant or deny appropriations for phasing of third-class mail in fiscal year 1972. Indeed, the court of appeals in the *DMAA* case ruled that the question was irrelevant as far as initial temporary rates are concerned.

What is clear is that the lack of complete clarity in Congress action last year enabled the Postal Service to argue that appropriations for phasing had failed and this in turn produced a great deal of uncertainty and expense for both the mail users and the Postal Service, all ending up with the Postal Service's imposing exactly the sort of sudden, large rate increase which the Postal Reorganization Act sought to avoid. DMAA hopes that this experience will not be repeated in fiscal year 1973 when permanent, rather than temporary rates will be involved.

As the committee is aware, commercial third-class mail consists of letters and small parcels mailed by individuals and bulk mailings of books, catalogs, and letter-sized solicitations by advertisers and fundraisers, including political parties and candidates. Roughly 25 percent of the revenue foregone by reason of phasing of third-class mail is attributable to individual mailings by individual citizens and 75 percent to bulk mailings. Commercial third-class mail, like second- and special fourth-class mail, is entitled to 5-year phasing of permanent rate in-

reases under section 3626 of the Postal Reorganization Act subject only to the provisions of section 3627.

The Postal Service believes that full phasing for all eligible classes of mail is justified, as is indicated by its request for the full amount of funds authorized for phasing. But the Office of Management and Budget (OMB) has asked the Congress to reject the Postal Service's request insofar as regular third-class and controlled circulation mail are concerned. The purported reason, as stated in Mr. Weinberger's letter to Mr. Klassen (which Mr. Klassen has submitted to the Senate committee and which I assume this committee has also received) is that elimination of phasing "will result in these classes of mail bearing the full cost of services provided without subsidy."

The reason is, we submit, a subterfuge. Based on the figures submitted by the Postal Service to the Postal Rate Commission, the following table shows the estimated percentage of carrying costs—that is, those costs which can be explicitly attributed to a class of mail—which the major classes of commercial mail eligible for phasing would bear if the Postal Service's pending rate request is approved by the Rate Commission.

RATE REVENUES AS A PERCENT OF CARRYING COSTS

	Old permanent rates	1st phasing step of proposed new permanent rates	Proposed new permanent rates unphased
2d class.....	57	73	139
4th class special.....	82	96	152
3d class.....	162	171	208

These figures reflect the repeated statements by Postal Service officials that third-class mail not only has covered and is covering its carrying costs but also contributes substantial amounts to overhead, while certain other classes (such as second and fourth) have not and do not. The record in the current proceedings before the Rate Commission supports these statements by Postal officials as does the examiner's initial decision.

In effect, Mr. Weinberger is telling you to make third-class mail contribute even more to overhead while certain other classes contribute nothing and, indeed, are carried at a loss by the Postal Service even at the first step of phasing. He is telling you not only to engage in specific ratemaking, but also to do so on a patently discriminatory basis. In short, rather than avoid a subsidy he wants you to impose a penalty.

DMAA does not advocate that phasing be eliminated for other classes of mail while third-class phasing is maintained. It urges that, in accordance with the Postal Service's request, phasing be maintained for every class of mail. This will prevent the discrimination which OMB advocates; it will also avoid higher postage costs to third-class users—costs which, as Mr. Day has pointed out, cannot under the Price Commission rules, generally be passed on.

Moreover, in terms of this Committee's and Congress' role vis-a-vis the Postal Service, full funding of phasing will accomplish three objectives, each of which is discussed in more detail below. On the basis of my own detailed involvement over the past year in analyzing the meaning of the Reorganization Act and of last year's congressional appropriations action, it seems to me that each of these objectives reflects Congress purposes or concerns and makes practical good sense.

(1) *Full funding of phasing will carry out the clear intent of Congress to cushion, through the phasing provisions of the Postal Reorganization Act, the initial impact on mailers of the large rate increases which Congress rightly foresaw would be necessary.*

No argument is really needed to show that Congress in passing the Reorganization Act wanted to prevent the sudden impact of large rate increases. Everyone, including the Postal Service, agrees that that is the case. Congress' intent to that effect is clearly spelled out in the legislative history of the act. It was specifically translated into the phasing provisions of section 3626 of the act. OMB is now asking the Congress to renege on that objective without even the most cursory analysis of what adverse economic impact on mailers would result.

(2) *Full funding of phasing is necessary if this committee and the Congress are to effectively attack waste in the Postal Service.*

The Reorganization Act puts greater efficiency in the Postal Service high on its list of objectives. It states in section 3621 that rates should be sufficient to maintain postal service only to the extent management is efficient and economical. Often in the past and most recently last year, this Committee has decided that the Service overstated its needs and has accordingly reduced the total appropriations requested by the Service. In this view, the Committee has not been alone. For example, in the pending proceedings before the Rate Commission the public defender appointed pursuant to the Reorganization Act, after analyzing the fiscal year 1972 Postal Service cost estimates, has taken the position that those costs were overestimated by at least \$140 million.

Since DMAA is in no position to analyze the Service's fiscal year 1973 cost estimates in detail, it certainly does not advocate that the Postal Service's total request be reduced. But if this Committee should recommend a reduction from the total Postal Service request because of softness in the estimates it should recognize that any such reduction will, as happened last year, be treated by the Postal Service as a justification for eliminating phasing of third-class rates unless the Committee and the Congress make crystal clear that that is not their intention.

In short, absent a clear statement of intention to fully fund phasing, any effort by Congress to impose cost discipline by a reduction in the overall level of requested appropriations will be self-defeating: the Postal Service will simply, by dephasing rates, cover the costs which Congress considered dubious. One or two classes of mail will be forced to subsidize these dubious costs. And instead of stimulating efficiency, Congress will have tended to perpetuate inefficiency.

(3) *Full funding of phasing is the approach which goes farthest to minimize congressional involvement in specific ratemaking.*

Since appropriations and rate revenues constitute the main sources of Postal Service income, with the latter rising as the former falls, the Congress cannot avoid indirectly influencing overall rate levels by its actions on appropriations. Further, if Congress denies phasing appropriations for a class of mail, the Postal Service will see itself in a position to dephase the rates for that class and Congress will, in effect, have directly engaged itself in making specific rate-making choices among the classes of mail which are eligible for phasing.

But if Congress grants full phasing funds, it is beyond dispute that the Postal Service will have to go to the Rate Commission for any rate increases it thinks necessary as a result of a reduction in the overall appropriations request. The result will be to put specific ratemaking where it belongs—in the Rate Commission. The Rate Commission can see whether any increases are justified; it may reject the need for such increases because, like the Congress, it deems them based on inflated estimates or gross inefficiency. If, on the other hand, the Commission finds an increase in rate revenues to be justified, it can then spread the impact of that increase among all the classes of mail in accordance with the ratemaking criteria of the Act. In short, rather than singling out a single class or classes of mail for rate increases, Congress by approving full funding for phasing will assure not only a second look at the Service's financial needs but also that the rate decisions with respect to specific classes of mail are made by experts on the basis of expert testimony.

This approach would also minimize the dilemma in which Congress finds itself due to the fact that new permanent rates have not yet been recommended by the Rate Commission or approved by the governors of the Postal Service and that therefore no one can know what revenue will be foregone by phasing of such rates. Phasing appropriations for a particular class of mail cannot logically be denied under these circumstances because the revenue foregone for that class cannot be responsibly determined. But phasing appropriations for all eligible classes can be approved, without certainty as to the amount of the revenue foregone, because the total appropriation will surely be far greater than any total of revenue foregone which can reasonably be the result of the current rate proceedings.

If, despite the foregoing considerations, the Committee should decide to recommend a reduction in appropriations for phasing, it can still do so in a manner which avoids specific ratemaking. This could be accomplished by an explicit indication (1) that although a lesser amount for phasing than that requested by the Postal Service is approved, (2) such reduction is not attributed

to any particular class of mail, and (3) the question as to which, if any, classes should be dephased in whole or in part should be dealt with by the expert and independent Rate Commission in accordance with section 3627 of the act. Let me emphasize that DMAA would favor this approach if, and only if, the only alternative were denial of phasing appropriations for particular classes of mail as advocated by OMB. But that is not the only alternative. For the reasons given above, DMAA believes that Congress should appropriate funds for phasing of all eligible classes of mail and that its purpose to do so should be made unambiguously clear so that controversy and uncertainty may be avoided in the future.

Mr. MCGIFFERT. As Mr. Day indicated, I was counsel for DMAA in the lawsuit which, indeed, is still going on with respect to phasing of third-class temporary rates, and in which the District Court decided that Congress' intention with respect to fiscal 1972 appropriations was not to deny appropriations for phasing of third-class rates but in which the Court of Appeals determined that it made no difference what Congress' intention was because phasing as a concept did not apply at all to the initial temporary rates.

Except as that lawsuit will affect the right of mailers to recover rates illegally imposed if we are successful in the Supreme Court, the appropriations issue in that lawsuit is becoming irrelevant because we are almost into fiscal 1973, and therefore it will be the record that you gentlemen make in connection with the pending appropriations bill and the language of that bill which will determine whether or not we have another controversy next year and are back into the courts with all the expense and uncertainty that that involves.

What the Rate Commission concludes with respect to your intent regarding last year's appropriation will likewise be of little significance, even when they act, because again we are faced now with the problem of fiscal 1973 and not fiscal 1972 appropriations.

Mr. STEED. Our position was this—that out of a budget totaling something in excess of \$10 billion that \$200 or \$300 million under dispute was not an issue of a sort that the Postal Service tried to make out of it. We refused to believe that since all of their funds were subject to any discretionary use, including the funds we made available, it would be a strange management phenomenon indeed if they could not with a budget of that magnitude meet an adjustment with regard to any sort of activity and not just one class of mail. Certainly the whole thing would not rise or fall on one small fund compared to their total budget.

We also thought that in keeping with the original intent of the Congress to leave their whole budget under their control as against the way we used to tie it down and earmark it, to try to hold it into what we thought were proper bounds, making the lump sum appropriation was the only way we could make funds available to them. This did not impose restrictions.

Yet I see they are back in this year asking for the same earmarking they were unable to get from us last year, and for the same reasons.

If we ever accept that philosophy it seems we will leave the door wide open for them to be here with all sorts of contentions and we would have no way of going into the merit of these things. We therefore have to be very careful about precedents we set as to what the law will or will not permit us to do.

I had a discussion with Mr. Day regarding the contribution to the employees Retirement Fund. The law is not clear on this. We are not

sure at this moment whether we have the authority to put that burden on all the taxpayers or to require that it be part of their operation. We have asked for some help and guidance on it. What we do depends on what we think the law requires.

Obviously if it is an obligation that all the taxpayers have to pay we will have to appropriate the funds to keep the Retirement Fund intact. However, it certainly will not be in keeping with the other very obvious intent of the Postal Service Corporation Act, and that is to put them on a basis of being self-sustaining, tending to their own affairs, and to have the power to negotiate labor contracts with their employees, including all fringe benefits.

If retirement is not a fringe benefit I don't know what the definition of a fringe benefit is. You can interpret the lack of clarity in many ways. It would be helpful to us if the Rate Commission does make a final decision before we complete our work. We have been 2 years now with all of these unsettled issues and uncertainties. This has increased our problem.

Mr. Robison?

Mr. ROBISON. Mr. Chairman, at the bottom of page 6 of the prepared statement as submitted by Mr. McGiffert, we are told that in the pending proceedings before the Rate Commission the so-called Public Defender appointed, pursuant to the Reorganization Act, after analyzing the fiscal year 1972 Postal Service cost estimates, has taken the position that those costs were over-estimated by at least \$140 million.

I didn't know this, for it has not been called to my attention, and perhaps not to the attention of the subcommittee.

Are you able to give us any additional or supplemental information as to his findings in that regard, the basis thereof, and details thereof?

Mr. MCGIFFERT. I can tell you at least one of the items that the Public Defender objected to, and that was the effort of the Postal Service to include in its cost estimates amortization of donated assets.

Mr. ROBISON. Such as what?

Mr. MCGIFFERT. Such as the entire physical plant of the old Postal Department which had been paid fully by the taxpayer through appropriations and which now the Postal Service wants to amortize on a 20-30 year basis, and include those costs in the rate base.

Mr. ROBISON. Who served as Public Defender in this regard?

Mr. MCGIFFERT. What they did, Mr. Robison, was to set up as a separate part of the Rate Commission the so-called Litigation Division which was not permitted to have dealings with the remainder of the Rate Commission, and which consists of three lawyers.

Mr. ROBISON. Back up a moment, if you will, and explain for the record what you meant when you said "What they did." Who is "they?"

Mr. MCGIFFERT. The Rate Commission.

Mr. ROBISON. All right.

Mr. MCGIFFERT. The act provides for the appointment of a person or persons to represent the public interest. It goes no further in saying how that should be done. This is the form which it took.

There were three lawyers and they had associated with them at least one economist and at least one accountant. They participated as a party. They are still participating as a party in the proceedings before the Rate Commission. They filed briefs and put in evidence. They

acted just like any other party. They analyzed the Postal Service's cost submissions and tried to see whether they thought they were soft in any respect.

Mr. Chairman, I think you are aware that the Postal Service has requested the full amount of appropriations for revenue foregone for all classes of mail entitled to phasing, and it is only OMB who has come in, as they did last year, and suggested that no appropriation for revenue foregone for third-class mail be granted. That suggestion, of course, has the effect of putting you gentlemen, if you went along with it, directly into the specific business of ratemaking.

Mr. STEED. In a sense that is true, but also you have to remember that they came to the Bureau of the Budget with an arbitrary figure of what revenue foregone is by making allocations, assignments, and allotments of costs which were under dispute before the rate board itself. For us to assume they were right as to the amounts of revenue foregone would be to assume that everybody contesting those cost assignments were wrong, so there is no way we could escape the problem. The finalizing of the work of the rate board put a real burden on us.

In other words, what you are all saying is that we rubber stamped the Postal Service an endless amount of money. We found a number of items in the budget we did not think were attributable to public service funds and where we should not put up money. It gets to be a matter similar to capital investment. What constitutes capital investment? What should we pay? What comes out of bonds?

We will not forego our right to do exactly what the public defender did. We thought they incorrectly estimated more than \$140 million. We have been looking over budgets for many years.

The idea that revenue foregone is an automatic answer to these problems is not accepted by us. We still think they had all the money they needed in order to meet the obligations of the law regarding phasing and everything else and they still should have come out in the black if the budget they presented to us had been properly followed.

In other words, since it is an arbitrary action as far as they are concerned in their relationship with us, there is no amount of money that still would not leave some further opening for them to make a representation that conditions changed.

When they came back after the new wages were decided on, we did not argue about that additional cost. It was just a matter of our giving them their additional 10 percent, the amount for which they asked. There are some items in their budget that had we still been running the budget as we have for years would not have stayed in.

Mr. McGIFFERT. I think there is a way in which you can reduce the total request for all purposes to reflect what you consider softness in the estimates and at the same time stay out of the ratemaking area which the ambiguity you had last year got you into, even though you did not intend it.

If we might go to page 6 of my statement. If you would permit me I would like to go through pages 6 through 8 because they deal with that problem.

As an introduction, just let me say that in terms of this committee's relationship and the Congress' relationship with the Postal Service and the Rate Commission, there are really three significant objectives

which are of concern. The first one starts on page 5 of my statement and is that Congress intended the phasing provisions to cushion the impact of major rate increases. Nobody argues about that. It is a reason for fully funding the phasing.

The second reason, which is dealt with starting in the middle of page 6, is that full funding of phasing is necessary if you are to effectively attack waste in the Postal Service. The Postal Reorganization Act puts, as you well know, efficiency high on the list of its objectives. It in fact states that rates need be sufficient only to cover costs under efficient and economical management.

Your committee in the past often has found there was softness in the estimates related to inefficiencies and simple inaccuracies. If you recommend a reduction in the total appropriation requested by the Postal Service for all purposes because you find waste or inaccuracies, and do so by a lump sum appropriation in a lesser amount than the total requested and if at the same time do not make clear that you are not denying appropriations for phasing, the Postal Service, as it did last year, will simply turn around, and dephase rates in order to cover the costs which you thought were dubious. In other words, it is self-defeating for you to try to exercise what is a very important responsibility—to test these estimates and reduce them if they are soft—if at the same time you leave the door open to the Postal Service to raise rates to cover the dubious estimates without any participation of Rate Commission. That is exactly what happened last year.

The second thing that happened last year was that the failure of Congress to state adequately from the point of view of the Postal Service that it was not denying appropriations for phasing. Put the Congress right in the middle of ratemaking for specific classes of mail, of making a choice between third class and other classes of mail which are entitled to phasing.

If you fully fund phasing, if you adopt Mr. Day's language and say that nothing in your lump sum appropriation is intended to deny appropriations for any particular purpose, you will go just as far as you possibly can to keep out of specific ratemaking. If you deny phasing you basically will have said that third-class rates will go up.

Mr. STEED. There is another factor, though, that we took into account. I am surprised more attention was not given to it elsewhere.

In the 10 percent we did not take that as an automatic item. It specifically says compensation for public service.

The public service they were performing was a considerable amount less than the amount of funds made available to them under that 10 percent provision. As I recall it, the 10 percent total made available was somewhere in the neighborhood of \$900 million. They were performing public services in the neighborhood of \$400 to \$500 million, so here is a cushion of \$300 to \$400 million which should have covered all sorts of contingencies which the Post Office Department had to meet. This was just a bonus. If we had restricted that item to the actual public service performed which they were able to show the committee they performed they would have gotten much less money than they did.

We thought with the generosity of about a 2 to 1 appropriation under that proviso that the amount of money then which would have remained under the revenue foregone phase of their request was probably in excess of what the department itself asked for originally.

The assumption that they had an automatic 10 percent, is not what the law says. It just says for the rendering of public service Congress could appropriate up to 10 percent of their 1971 budget.

Therefore, when you add up the total considerations we gave we thought we were quite generous with them and went far in excess of any actual showing of cash need that they had made.

Mr. McGIFFERT. You are entirely right, but look what they did.

Mr. STEED. I don't think there is any restriction as long as they operate under the corporate law. It is a matter of deciding how much money they can from us or cannot get.

Even after you gave them the total amount, every dollar, they still can do everything you are talking about and anything else they want to do. There is no restriction. They can turn right around the next day and decide to buy another 10,000 trucks.

Mr. McGIFFERT. Yes, Mr. Chairman; but they should not be able to raise rates without going to the Rate Commission.

Mr. STEED. We have not had any Rate Commission action. We are still dealing in midair. Until we have fixed and finalized rates we cannot do business as we should.

"I know of no way on earth we can do anything differently.

Mr. McGIFFERT. It does not seem to me that the decision of the Rate Commission is going to in any way minimize your problem of how best to avoid engaging in specific rate making. It will enable you to identify more precisely the amount of revenue foregone by class and in toto, but it will not in any way change the problem of—do you deny whatever that sum may be and thereby engage in a specific ratemaking choice among classes.

What I am suggesting—

Mr. STEED. I am taking this position: If and when the Rate Commission has said that these cost allocations are this, that, or the other, and therefore there are certain rates which have to be imposed by reason of these cost factors, we will accept that as a decision. Then whatever revenue foregone flows from that there will be no further problem to us. The only ground for argument then is for them to try to convince us as to what the public service is which they performed under the 10 percent clause and how much they were entitled to ask us for under that. Once you get the final decision are these costs assigned to third-class mail right. Who is right? Are you right or is the Post Office Department right? The Rate Commission will have to decide that.

Once that is decided then what are the rates?

Then after the rates are set, what is the revenue foregone then because of this action? Is it a final binding action? If so, it is easy for us to accept whatever the figure is.

However, here we are with everything in dispute. No matter what the Postal Department tells us, no matter what the Budget Bureau tells us, whatever you tell us, it is still in dispute. It is in litigation and in argument. We are in midair. There is no decision we can make which does not involve itself in these unanswered questions. I know of no way that there will ever be a final answer until the Rate Commission does its job.

Mr. McGIFFERT. Let me suggest, Mr. Chairman, that if what you are saying is that once the Rate Commission renders its decision and

thereby you can identify the revenue foregone, that you will then appropriate that amount—

Mr. STEED. Of course, that is the law.

Mr. McGIFFERT. And say so explicitly, that will be the end of the problem.

Mr. STEED. That is what I am saying. Until we get to that there will always be a problem.

For us to say: "You have made these decisions and set these rates and we agree with you, that is revenue foregone, and we hereby appropriate it," then we have said we are on the side of the Post Office Department regardless of the decision the Rate Commission might make.

Mr. McGIFFERT. That is right.

Mr. STEED. We can agree with anybody and disagree with everybody and we are still hanging in midair until the Rate Commission makes its final decision because they are the only ones who can finally tie it down.

Mr. McGIFFERT. I understand that.

Mr. STEED. We said this only in dollars and not in so many words. They did not make a case for all of the 10 percent. We made a lump sum appropriation to give them that much additional freedom in the use of their money.

We could have tied it down with all sorts of provisos. Had we gone back to the old way of appropriating we could have done that. We could have said only so much of this can be used for the employing of people to carry mail, only so much to buy equipment, and so on.

However, in order not to continue doing that part of the function we gave them a lump sum and left it to them.

While they can do all the things you say, and the waste can go unchallenged, you have to believe that the creation of a board of directors and corporate structure is the way that you get at these problems. Congress wanted to get rid of this problem and not to increase its participation.

What our real problem is is that we have no way we can act until the rate board does its work. If we want to help you or anybody else, we still have no final point we can act on, and anything we do can be shot down the very next day through the action of the rate board.

Mr. McGIFFERT. I recognize that problem.

Mr. STEED. What I am trying to tell you is that once the rate board has finished its work our job then becomes simple because we have the final figures and facts to act on. All they have to do then is to come in and establish these figures. Then you know exactly what revenue foregone is and also you know exactly what services performed have been. Having established those two points you then know exactly what funds to make available under the terms of the law.

People overlook the fact that the 10 percent is not an automatic thing. It just says Congress can appropriate up to 10 percent to compensate the Post Office Department for the performance of public services. The public services they identified last year were just about half of the amount of funds they asked for and got under that 10-percent provision.

After you have taken out all these other things we discussed they still have a bonus. We feel we actually wound up giving them a cash bonus. We based that on the fact that this was their first year, a lot of

this was guesswork, we gave them the benefit of the doubt, and we wanted to be sure they could continue to operate throughout the year.

With lack of final action by the rate board we had to wind up making an assumption.

Mr. McGIFFERT. With all due respect, Mr. Chairman, had your committee report last year reflected explicitly what you have just stated we would not have been in court, and the uncertainty would not have occurred regarding the phasing issue.

Mr. STEED. Part of the mistake we made was we were under the impression that some decisions were in the making and could have become final by the time our bill was acted upon. We were walking on eggshells, so to speak, trying not to disturb things until that was done.

Here we are now and there is still no decision. I do not think we will be quite as careful about eggshells this year as we were the first year. Certainly it cannot be blamed on us.

Mr. McGIFFERT. You had a very difficult and delicate problem.

Mr. STEED. We had hoped all this would be settled by this time so we would have something final to stand on. The situation is no different now from what it was then.

Mr. McGIFFERT. If you want, as I assume you want, to have rate decisions, to have choices with respect to the various classes of mail and what rates they should bear, made by the Rate Commission, which is the expert body, let me assure you that by lump sum funding without any indication of how it is divided up or any language such as Mr. Day's, you will not get the postal service to put the rate questions before the Rate Commission. You must fully fund the phasing or else the Postal Service will assert that it can make the rate-phasing decisions rather than the Rate Commission.

Mr. STEED. You can take issue with the Postal Department about some of the findings they make regarding cost allocations. So do we; you would have us automatically accept any figure they give us and say that is it, we have to appropriate it because they say it is so. We will not believe anybody until the rate board says it is so and it is actually so.

Mr. McGIFFERT. I am talking about after you know what that figure is.

Mr. STEED. After we know what that figure is we will appropriate it. That is no problem. The matter then is settled.

Up to now if we accept their figures then we are saying all these disputants are wrong. If we accept the figures of the disputants we are saying they are wrong. It is not our business to say anybody is right or wrong.

Even so, to keep them in motion and to give them sufficient money to get the job done, we did give them ample funds. They will finish the year with a surplus unless they find some way to throw it away.

The amount of money in dispute in a budget that big could not possibly wreck that service. Things just don't work that way. You do not work on that close a margin.

We disputed with them years and years increases in volume, and only once did we ever miss our figure by more than one-tenth of 1 percent. Their estimates of increases in volume were never anywhere near close what they claimed.

Mr. McGIFFERT. I do not dispute you, Mr. Chairman. My only point is that unless you follow Mr. Day's suggestions your efforts will be wholly self-defeating.

Mr. STEED. If the Rate Commission makes its findings we can pin down some of these things I am talking about a lot better than we have been able to do up to now. It leaves all sorts of loose ends as long as these things are still pending. There is a whole variety of budget making questions until these decisions are finalized.

I am not being altogether critical. It has been a tough job to get a postal corporation put into motion. They have made substantial progress. No one who knows anything about the postal business really thought they had any chance to begin to show real dividends under 5 years. Some of our colleagues have wanted instant success, but those of us who have been working with it longer would be very pleased if we have the problem in balance and licked within 5 years' time, and I think most mail users would be tickled to death if in 5 years we have a system which is properly efficient and giving the type of service we seek.

Mr. Robison?

Mr. ROBISON. I have no further questions.

Mr. STEED. Mr. Roybal?

Mr. ROYBAL. I have no questions.

Mr. STEED. Thank you very much, gentlemen. The information you have given us is quite helpful.

POSTAL MATTERS

WITNESSES

JACK R. COLE, PRESIDENT OF MAIL ADVERTISING CORP. OF AMERICA, INC.

JOHN SWYGERT

Mr. STEED. The Committee now is pleased to have Mr. Jack R. Cole, president of the Mail Advertising Corp. of America.

If you would like to identify your associate we will be pleased to have whatever statement you would like to make.

Mr. COLE. My associate is John Swygert.

Mr. Chairman and members of the committee, my name is Jack R. Cole. I am president of Mail Advertising Corp. of America, Inc., and am publisher of Cole's Directories for many of the principal cities of the United States and Canada. I have personally been in the direct mail advertising and publishing businesses for 24 years. I was a founding member and currently serve on the Mailers Technical Advisory Committee of the Postmaster General. I have been a student of the postal system and postal economics for 16 years. I am an editor of "Concepts of Postal Economics" (COPE), an informational service of limited distribution designed to provide a better understanding of the operations and problems of the U.S. Post Office Department and publisher of the currently popular book, "Billions of False Impressions." I am currently chairman and serve on the three-man executive committee of the Mailing List Industry Association. My firm provides mailing lists and directories to many national advertisers and to thousands of smaller firms and individuals located in

almost every State in the Nation. My firm is also a user of third-class bulk mail for advertising purposes and for the sale of our own products and services. My company has been an active intervenor in the current Postal Rate Commissions proceedings since their inception.

It is nothing new to this committee, I am sure, to be reminded that the U.S. Postal Service is the "communications lifeline of America." Postal service is considered by many to be the most fundamental and vital service that this Government provides for its people. Its quality, quantity, and efficiency touches on and affects the lives of every man, woman, and child, every business, and every Government agency in the United States.

Today, this committee may be the last thread of effective congressional control over this essential public service.

When the Congress approved the Postal Reform Act of 1970 it had intended to provide this Nation with a postal service that was run on a businesslike basis, had continuity of management, provided improved postal service to the public, eliminated patronage, and controlled costs and rate increases. Postal rates were to be established by independent experts to "apportion the costs of all postal operations to all users on a fair and equitable basis."

The leaders of our industry are very much encouraged, today, by the apparent drive and two-fisted approach to postal management of our new Postmaster General, the Honorable E. T. Klassen.

However, Mr. Klassen has inherited some virtually insurmountable problems and defects in the USPS that this committee and the Congress must, in our opinion, try to help him with, before it is too late. The system under which the USPS is operating is careening along at a critical speed, with no checks or balances whatsoever to avert runaway spending and spiraling costs to its customers and taxpayers. Now—and all too soon—it is becoming decidedly apparent that without the control once exercised by this committee there is virtually no control at all on what the USPS may spend—no guidelines, no brakes, no inhibitions, and no penalties.

The Postal Reform Act is, intentionally or otherwise, a blank check. Some of Mr. Klassen's "inheritance" may be beyond the province of this committee at this late date. Here are some examples:

1. The continuing annual \$450 million in added postal costs due to his predecessor's 1970 "strike—payoff."
2. The \$550 million continuing annual added cost of Mr. Blount's April 1970, purchase of "postal union support" for the Postal Reform Act.
3. The obvious lack of continuity of postal management.
4. The drastic cutbacks in service rendered to the public (see exhibit A).
5. Outside costs such as the fees paid to the 159 "consultants" reportedly retained by the USPS last year.
6. The cost of the 26 assistant postmasters general and six senior assistant postmasters general (the former Post Office Department had one deputy postmaster general and five assistant postmasters general).
7. The cost of the 40 postal officials who receive salaries higher than any U.S. Congressman (the former Post Office Department only had one official in that category).

8. The one-time cost of the July 1971, \$212 million bonus to employees.

9. The recurring annual added costs of the July 1971, package negotiated by the fledgling U.S.P.S. experts in postal labor relations and the old pro postal union officials. (The full effect of this after January 1973, will be a recurring annual additional cost of \$950 million.)

As the result, the fiscal year of 1971 reflected the largest annual increase in total postal expenditures of all time (this increase in this 1 year alone is larger than the entire operating expenses of the entire Post Office Department in 1943). At the end of the current fiscal year (June 30, 1972) the U.S.P.S. will have spent approximately 12 cents each for every piece of mail it handled during this period. (See exhibit B.)

Mr. ROBISON. Who prepared these charts? Did you?

Mr. COLE. Yes. They were prepared by Concepts of Postal Economics, a nonprofit Chicago organization.

Mr. ROBISON. And the information and data which led to their preparation came from the Postal Service Corporation?

Mr. COLE. Absolutely. These were derived from their statements. These were the cost and revenue statements of the Postal Service and budget figures published.

Postmaster General Klassen recently stated, "We are facing increasingly stiff competition in all classes of mail. Apparently this factor is affecting our overall mail volume, since if the trend continues our volume this year will be below the previous year's for the first time since the 1930's."

One of the most profitable kinds of business that the Postal Service is losing (to independent carriers and competing advertising media) is the third-class mail that is used by the small businessmen and candidates for public office at the local level.

In December 1967, the Congress recognized that mail for the typical small, local businessman cost less for the U.S.P.S. to handle and setup, at that time, a \$2-per-thousand postage discount on the first 250,000 pieces mailed annually. (Present testimony before the Postal Rate Commission has established that there is at least \$5-per-thousand savings in direct costs alone in local mail.) Congress intention in establishing this \$2-per-thousand price differential was well described in the Congressional Record on Dec. 21, 1967, page S18418:

It would be a great benefit to the very small third-class mail users, the true small businessman in the little towns all over America who uses third class as an advertising media. It will also benefit the large mail user, but in no case will it be more than a savings of \$500 a year to any mailer, no matter how large he might be. To the small businessman \$500 is a very beneficial relief clause. To the 13-bulk-mail permit holders who this year have mailed 7 billion pieces of direct mail it is meaningless. Since this bill was introduced, I have heard many, many people plead for the small grocer, the small retailer, and the country store owner who rely on direct mail advertising. This provision permitting the first 250,000 pieces of third-class mail per year to go at 3.8 cents is aimed directly at the small businessman. The rest of the mail users, the great American industries, which mail out millions upon millions of advertising and other third-class letters every year will pay 4 cents.

Yet, on March 12, 1972, the USPS disregarded the intentions of Congress (to pass on some of the savings to local users) and arbitrarily eliminated this \$2 discount without approval from the Postal Rate Commission or the Congress by increasing all rates to \$50 per thousand—the same increased rate for all of the third-class category. (This was the largest absolute increase in postage rates for the users of third-class mail in the history of the United States.) The net effect has been to drive away more of the postal profits—and thus increase the costs that all mail users and the taxpayers must pay.

Unrealistic price increases and uncompetitive price levels in several classes of mail service and reduced service to mail users is bound to hurt volume for even a virtual monopoly such as the U.S. Postal Service.

Reduced service to the public, runaway spending, higher costs to the taxpayers and substantially higher costs to mail users and future disregard of Congress' desires were not the intent of the Congress in approving the Postal Reform Act.

Congress intended that for a period of 5 years the "revenue foregone" funds would be appropriated annually for graduated postal rate increases (phasing) to aid in the adjustment by users of certain deferred and reduced rate matter to the changes brought about by the act. Typical of the problems inherited by Mr. Klassen is the total lack of understanding by the Bureau of the Budget of this intent of Congress and a complete lack of understanding by the Bureau of the Budget (and also apparently by the USPS) as to how the amount of "revenue foregone" should actually be determined. It is impossible, at this time, for anyone (including Casper Weinberger, the U.S. Postal Service, Congress, or the mail users) to have any idea of what the "revenue foregone" actually was in fiscal year 1972 or what it should be for fiscal year 1973.

(In its simplest terms the "revenue foregone" is the difference between the revenue which would be collected by the USPS from mail users at the full permanent postage rates as set by the Postal Rate Commission and what it would collect from lower phased rates that Congress intended would be charged as described in section 3626 of the act.)

The Postal Rate Commission has been engaged, for more than 1 year, in trying to determine what the permanent full rate for each class of mail or type of mail service should have been during this current fiscal year ending June 30, 1972 (and thus what the "revenue foregone" should actually have been for each class of mail). Their considerations are based on obsolete revenue and cost data from the Postal Service for the period from July 1, 1969 through June 30, 1970—2 to 3 years ago.

Postal rate setting by the Postal Rate Commission is principally accomplished by its determination as to how much of the total institutional costs of the USPS are to be paid by each class of mail or type of mail service. (Bulk third-class mail today pays not only its attributable costs but in addition pays a considerable amount toward the USPS's institutional costs.) Should the Postal Rate Commission rule the bulk third class is already paying its fair share of institutional costs or that some other class of mail should pay substantially more than it is currently paying toward institutional costs there would be

little or no increase in bulk third-class rates and little or no need for any revenue foregone for bulk third class. For example, should the Postal Rate Commission rule that a 10 cent first-class rate would be the legal rate there would likely be no revenue foregone for bulk third-class mail. Or should the Postal Rate Commission rule that the advertising and editorial material carried in the second class category should pay its full direct costs and should also pay as great a percentage of its attributable costs towards the overhead of the Postal Service as the advertising carried by third-class mail currently pays, then there would likewise likely be little or no revenue foregone for bulk third-class mail.

In order for anyone to have any idea of what the amount of revenue foregone actually is the Postal Rate Commission must first set permanent rates for each class of mail or type of mail service. The individual rates set for each class of mail will determine the revenue foregone for each class of mail or type of mail service.

The Postal Rate Commission has not ruled as to what the rate should have been for this current fiscal year. There is thus no way for anyone to know what the revenue foregone for any class of mail may have been. (Furthermore, USPS revenue and cost data for the period of July 1, 1970 through June 30, 1971 has not as yet been made available to the public.)

This committee is again this year, in effect, being asked to set postal rates. In doing so this committee is being asked, in its deliberations, to understand and agree with the accuracy, legality, and the amount of "revenue foregone" as shown by the USPS and the Bureau of the Budget in their financial statements.

Section 2008e of the Postal Reform Act requires "at least once each year beginning with the fiscal year commencing after June 30, 1971, the Postal Service shall obtain a certification from an independent certified public accounting firm of the accuracy of any financial statements of the Postal Service used in determining and establishing postal rates."

Has the certified public accounting firm certified the accuracy of these statements? Obviously, they couldn't have certified the amounts of "revenue foregone"—because that is the province of the Rate Commission.

Inasmuch as there is no way for this committee to know what amount of "revenue foregone," if any, is actually applicable for any class of mail or type of mail service for this current year ending June 30, 1972 (let alone to know what it should be in fiscal year 1973)—and in order to restore the \$2 per thousand rate differential Congress intended for the benefit of small, local mail users—and in order to help retain the profits being lost from one of the USPS most profitable lines of postal volume—and in order to restore the fairness and equity of equal phasing treatment for all legally applicable mail users as specifically intended by the Congress; we trust this committee will, in providing funds for operations of the USPS, make it clear to the USPS that you have not failed to appropriate funds for any particular class of mail or type of mail service.

Thank you for your attention and for this opportunity to present these views.

EXHIBIT A**CUT-BACKS IN SERVICES RENDERED TO THE PUBLIC!**

During the current administration, at least 11 cut-backs in service have quietly been put into effect by either the U. S. Post Office Department or the new U. S. Postal Service. Because of the delegation of more authority to regional offices, metro service centers and district offices in making decisions, some of these curtailments may vary in degree from city to city. As a postal customer, however, you have probably become more and more aware of some, if not all, of the following reductions in the various kinds of service you *used* to get from your Post Office.

1. **Reduction of collection services.** Formerly it was customary to make two or three collections per day from collection boxes in residential areas. Current policy is to make only one collection, and this collection is made by the letter carrier. If he picks up the mail at 9 am, your letter mailed at 9:01 am is not picked up until 9 am the following morning. Moreover, it very likely does not reach the post office until perhaps 4:00 pm when the carrier completes his appointed rounds. This collection system delays (1) the postmark on a letter and (2) the delivery of a letter by as much as 24 hours in each instance. In addition, the number of collections made in business areas has been drastically reduced. There are no collections, or virtually none, after 6:00 pm. Formerly, the Post Office made a general sweep of all collection boxes in business areas as late as 9 pm. This reduction also means a delay of at least 24 hours in important business mail.
2. **Reduced week-end collections.** Saturday and Sunday collections of mail have been virtually eliminated in many places.
3. **Reductions in delivery service.** Six-day delivery of mail to your home or office used to be standard operating procedure by the Post Office. Today many cities have only five-day delivery, with no deliveries on Saturday, in business areas. Also, multiple-trip delivery of mail in business areas has now been reduced to no more than two and often only one delivery per day.
4. **Box cluster delivery of mail has reduced service.** More and more, the Postal Service is using box cluster delivery in new delivery areas for delivering mail to homes, universities, colleges, mobile home areas and the like. This makes the postal customer do part of the work of delivery and definitely reduces the service rendered to him. It also makes him a second-class customer, when compared to those who still enjoy individual delivery to their homes or offices.
5. **Managed Mail Program Reductions.** The Managed Mail Program was designed to take the time saved by sending first-class mail via airlift and pass it on to the mailer. But this time is now used to the advantage of the Post Office.
 - (a) This mail, if received between 6 pm and 6 am, is now moved off to one side in the receiving Post Office and is worked only *after* the carriers have gotten their mail for the day.
 - (b) The number of employees used on Saturdays and Sundays has been reduced. They now work principally airmail and special delivery on week-ends.
 - (c) The 6 pm to 6 am night force has been reduced. This can result in a 24-hour delay of mail in the originating post office. When mail is received at the delivery post office before 6 am, it is not worked until the daylight hours, which builds in another delay on the delivery end of the mail.
 - (d) Airlift of first-class mail to points within 750 miles of its origin has been discontinued. (In some instances, airlift of first-class mail has been restored to some points within 750 miles.)
6. **Originating post offices no longer sort mail to states.** New York City, for example, formerly worked mail for each large city in a state and sent it by various means of transportation to those cities. Now all mail for Ohio originating in New York City is concentrated and shipped to Cincinnati, where it is sorted and trucked to its final

destinations, causing another day of delay in delivery. There are now concentration centers in each state, and mail is massed for that state in the originating post offices. Further, delays are inherent in this method of handling the mail.

7. **Window service drastically reduced in all parts of the country.** Many stations are not open at all on Saturday today. Shorter hours are maintained at many windows. Theoretically, this reduction in window service has been replaced by self-service units, but these are all too often out of order, and, therefore, not available to serve the public.
8. **Discontinued week-end parcel delivery.** Delivery of parcels on Saturday has now been completely discontinued.
9. **Expedited program of closing associated offices.** There are 552 Sectional Centers in the postal system today and each Sectional

Center serves 70 to 150 "associated" post offices. The Postal Service contends that closing many of these offices has increased efficiency. *It has also reduced service.*

10. **No second attempt to deliver parcel post.** Once the postman would try again if he was unable to deliver a package to your home the first time. Now he will not make a second attempt. If you're not home at the time your package comes, you'll just have to go to the Post Office and pick it up. Gone are the days when you could call the Post Office and give them a promise you'd be available to receive the package on a second delivery attempt.
11. **Forwarding period of mail has been cut by 50%.** Formerly, if you moved and left a forwarding address with the Post Office, your mail would be forwarded for two full years. Now forwarding time has been cut to one year.

EXHIBIT B

POSTAL REFORM COSTS MAIL USERS MORE

At the heart of the problem are the power of the U. S. Postal Service to set temporary rates and the permanent rate setting power of the Postal Rate Commission. Under the law, the Postal Rate Commission appears to have no jurisdiction over expenditures by the Postal Service.

The Postal Service may estimate the revenues it needs over and above its incomes from current rates and current appropriations. The Postal Rate Commission then merely allocates the estimated additional revenue required among the various classes of mail.

This is how the Postal Service pays for what it spends, and it appears that neither the Postal Rate Commission nor the Congress — nor the postal customers who pay the rates — can change the amounts the U. S. Postal Service says it MUST have.

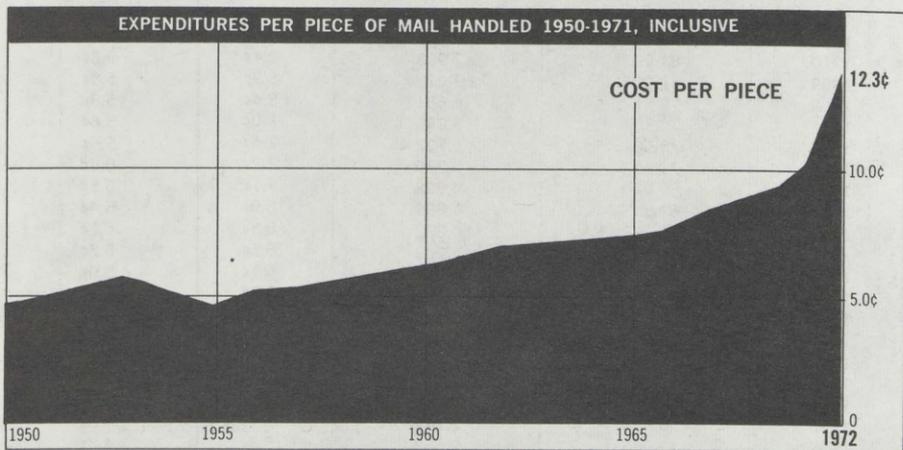
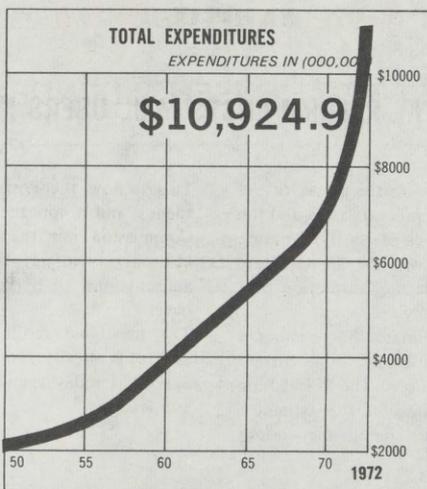
The inevitable result of this total absence of control is already coming to light. The U. S. Postal Service is today spending more and more for less and less.

LARGEST ONE-YEAR INCREASE IN HISTORY OF THE U. S. POST OFFICE IN THE "COST-PER-PIECE" INDEX

Year	Total Pieces of Mail Handled (Millions)	Total Postal Expenditures (Millions)	Postal Expenditures Per Piece of Mail Handled	
			Current Dollars	Constant (1950) Dollars
1972*	88,925	\$10,924.9	12.3¢	—
1971	86,983	9,047	10.4¢	6.2¢
1970	84,882	7,983	9.4¢	5.8¢
1969	82,005	7,279	8.9¢	5.8¢
1968	79,517	6,681	8.4¢	5.8¢
1967	78,367	6,249	8.0¢	5.8¢
1966	75,607	5,727	7.6¢	5.6¢
1965	71,873	5,276	7.3¢	5.6¢
1964	69,676	4,928	7.1¢	5.5¢
1963	67,853	4,699	6.9¢	5.4¢
1962	66,493	4,332	6.5¢	5.2¢
1961	64,933	4,249	6.5¢	5.2¢
1960	63,675	3,874	6.1¢	5.0¢
1959	61,247	3,640	5.9¢	4.9¢
1958	60,130	3,441	5.7¢	4.7¢
1957	59,078	4,044	5.2¢	4.4¢
1956	56,441	2,883	5.1¢	4.5¢
1955	55,234	2,712	4.9¢	4.4¢
1954	52,213	2,668	5.1¢	4.6¢
1953	50,948	2,742	5.4¢	4.8¢
1952	49,906	2,667	5.3¢	4.8¢
1951	49,908	2,341	5.0¢	4.6¢
1950	45,064	2,223	4.9¢	4.9¢

All Post Office Department data runs from July 1 through June 30 of each fiscal year.

Sources: U. S. Post Office Department and U. S. Postal Service
*U. S. Postal Service estimate for fiscal year 1972.



**LARGEST ONE-YEAR INCREASE IN TWO DECADES
IN THE
COST-PER-HOUSEHOLD INDEX!**

Year	Total Postal Expenditures (billions)	Total Households* (000's)	Average U. S. Postal Expenditure Per Household	
			Current Dollars	Constant (1950) Dollars
1971	\$9,047	64,500**	\$140	\$83
1970	7,983	63,417	126	78
1969	7,729	61,805	118	77
1968	6,681	60,444	111	77
1967	6,249	58,845	106	76
1966	5,727	58,092	99	73
1965	5,276	57,251	92	70
1964	4,928	55,996	88	68
1963	4,699	55,189	85	67
1962	4,332	54,652	79	63
1961	4,249	53,464	79	64
1960	3,874	52,799	73	59
1959	3,640	51,435	71	59
1958	3,441	50,474	68	56
1957	3,044	49,673	61	52
1956	2,883	48,902	59	52
1955	2,712	47,874	57	51
1954	2,668	46,962	57	51
1953	2,742	46,385	59	53
1952	2,667	45,538	59	53
1951	2,341	44,673	52	48
1950	2,223	43,554	51	51

* Households for 1951-1955 are as of April each year. Households for 1950-1959 are U.S. Census Bureau's 1950 definitions. Households for 1960-1970 are 1960 U. S. Census Bureau definitions.

** Estimate

Mr. STEED. We appreciate your statement. It is not only informative but very forthright. It points up perhaps clearer than any other statements we have had today some of the problems which still hang with us in trying to get this Corporation off and running as everybody wanted it to do.

I have had some conversations with Mr. Klassen and I have been very favorably impressed with some of the views he expresses and some of the actions he has taken.

Of course, I am always aware that the first man we had under the Corporation had two strikes on him to start with and therefore he probably served a very useful purpose.

We still have to get on with the main business of trying to get this Postal Service up to par and performing the service we believe it ultimately can. We want to be as helpful as we can in this subcommittee.

Being in the appropriating business our legislative powers are very, very limited. I think, though, if we did have the final decisions of the Rate Commission to help guide us that we could—even though some of the data is outdated—we could interpolate enough of the new and modern figures to arrive at new and more accurate decisions than we will be able to do with the current situation. I am just a little perturbed that we have gone this long and still have not had any finalized work of the Rate Commission, though it is obvious they have an enormous job to perform. The fact they have not finalized their actions does not make these problems easy to resolve. It will be an ongoing headache until they do resolve these problems.

I hope the committee will always take the attitude that we are great believers in the Postal Service. Certainly we have not lost our faith in the service and I do not think we have ever tried deliberately to cripple it. When we have been critical of it we have done it in the spirit of helping and not hurting the service.

Inevitably, with our successes and failures, within a minimum of 5 years even the best of management will not get all of their problems licked and get the organization the form it should be.

It will be a matter of great concern in the future as to how labor-management relations are considered. These things can throw matters out of kilter quite fast. My personal feeling is that if we are to have labor-management negotiating that all fringe benefits, the whole package, should be left on the table and they should not be out here trying to short circuit any items under consideration. You either negotiate or you do not.

If Congress continues to meddle in it we will have increasing problems rather than resolved problems.

Mr. Robison?

Mr. ROBISON. Mr. Cole you are an articulate man. It is too bad the printed record will not show the forcefulness with which you presented your statement.

You are also quite a critic of the way things have worked out, to date.

You tell us you have been a student of the Postal System and Postal economics for 16 years, which I accept on faith.

Would you tell us, now, whether or not you were a proponent or an opponent of the Postal Reform Act?

Mr. COLE. I was a proponent of most of the original parts of the Dulski Act. There were certain things that needed to be done to improve the Postal Service, such things as the independent Rate Commission and modern accounting principles. I have been fighting for those for a good part of that 16 years, and most of the principles I have been fighting for are in that independent Rate Commission plan.

There were some things that I had wanted in the system, most of which are now in the Postal Reform Act.

I am concerned about the lack of the traditional checks and balances, though.

Mr. ROBISON. Who in your judgment should attempt to apply those left-over, traditional checks and balances?

Mr. COLE. As you very aptly point out, I have reviewed the problems and I have criticized the situation as it exists. I cannot present to you today any perfect solution to all of them.

Mr. ROBISON. If you will permit, I think what bothered me a bit as I listened to you is what bothers me about a lot of criticism of various institutions that comes from those outside those institutions, these days.

Mr. COLE. Yes, sir.

Mr. ROBISON. Although they are only indirectly affected by how those institutions work or fail to work, it is easy and tempting to sit on the outside and say things are not going right and never shall.

I have been curious, in listening to you, and just wondering in my own mind what you would do if you were Mr. Klassen. Is that a fair question to ask you? Have you thought about that?

Apparently you thought Mr. Blount did not do very well in some areas, because you call his settlement of the 1970 labor troubles a "strike payoff," and apparently the negotiated contract with the unions bothers you because it is referred to as being the purchase of "postal union support."

Mr. COLE. I will stand by both of those statements.

Congressman Robison, the uncontrolled spending that they have today, there is really no control over the amount of money they spend. Under the system they operate they spend whatever they wish to spend and they come to the Postal Rate Commission and they say, "Rate Commission, we need x billions of dollars in extra postage to pay for what we will spend."

Some way, somehow this Government needs to set a ceiling on what they can spend in any 1 year.

Mr. ROBISON. There is one restraint, and that is that they can price their product out of the market. You are saying that is happening to the direct mailers. It could happen and is happening in some areas to the first class users of mail, too.

You suggest, here, that perhaps the Commission will come up with a 10 cent first-class stamp as a recommendation.

Well, if they do, I predict right here and now that more and more utilities will be delivering, somehow or other, their monthly bills to your house and mine through some other system than the mails. Other business mailers will perhaps also go that route because you can skim the cream off the kind of overall service the poor old Postal Service has to render just as the poor old Post Office Department had to render. It is easy for some businessmen in the private sector to say:

"Well, we can do it cheaper here in this community where people are centralized and living close together," but those same businessmen would not want to serve rural areas.

I think there is a restraint on how much the Postal Service can spend in that, if the Postal Rate Commission grants the rate to support that spending, it is going to find itself right out of the mail business.

Mr. COLE. Yes. A public utility, you know, when they want more money, they get their money by asking for a rate that will get that money back for them. It does not work that way with our Postal Service. They spend the money first. Then they go to the Rate Commission, and the Rate Commission has nothing to say about the total amount of money. They simply allocate the charges among the classes and sub-classes to make up that total amount of money.

Mr. ROBISON. What we were told, earlier today, that the so-called public defender in the Rate Commission hearings, in attacking that segment of the equation that he understood from the 1972 Postal Service Corporation's first budget, found that that budget was over-stated to the tune of \$140 million.

Here again, the Rate Commission has somebody saying to it, at least, "Look, Mr. Commissioners, the Corporation is spending too much money."

Mr. COLE. He did make that statement, I understand. I do not believe that will determine the total amount of money that they will receive from these increased rates. I don't believe they adjusted or lowered the amount of money the Postal Service said it would have to have for what they would spend.

Mr. ROBISON. It could not do that but they could hold down the rates, whereupon the Corporation would not have that amount of money to spend unless we gave it to them.

Mr. COLE. That would be true except the act says all the Postal Service needs to do is to say "I need \$2 billion" to the Rate Commission. The Rate Commission's responsibility is to set up the rate to give them the \$2 billion.

Therein may be one of the weaknesses in the act.

Mr. ROBISON. All right. I appreciated our colloquy here. It is nice to have listened to you.

Mr. COLE. Thank you very much.

Mr. STEED. Mr. Roybal?

Mr. ROYBAL. You stated Mr. Klassen inherited various things. Among those were outside costs and fees for consultants?

Mr. COLE. Yes, sir.

Mr. ROYBAL. Does this mean that the previous administration did not use consultants?

Mr. COLE. That is a good question. I would like to ask my associate to help with that.

Mr. SWYGERT. Not anywhere near the extent of 159.

Mr. ROYBAL. How many did they use?

Mr. SWYGERT. This comes and goes. It did come and go in the Postal Service. There were times when I was there through many administrations, including Republican and Democratic administrations. I did not get out because I was kicked out. But the situation here, if you took Mr. Day's administration, for instance, there were no consultants.

If you took Mr. O'Brien's administration when he was Postmaster General you would find a limited number of consultants.

During Mr. Summerfield's days there was a limited number of consulting firms, but no one in my 34 years in the Postal Service has used consultants to the extent they were being used here.

Mr. Klassen has stopped this. He has issued orders none of these will be on the rolls as of June 30 of this year. This is part of his order to save this \$450 million to prevent a rate increase.

Mr. ROYBAL. That is good to get on the record.

What about the cost of the 26 Assistant Postmasters General and six senior Assistant Postmasters General which are in excess of the number of men hired in those positions in previous administrations? Has anything been done about that?

Mr. SWYGERT. No, they are added to all the time. Four more were added within the last 2 or 3 weeks.

Mr. ROYBAL. In other words, there are approximately 15 Assistant Postmasters General, or approximately 30 Assistant Postmasters General?

Mr. SWYGERT. Twenty-six Assistant Postmasters General and six seniors.

Mr. ROYBAL. How many have been added to that?

Mr. SWYGERT. That is the present figure. In other words, when they started they had only one and five.

Mr. ROYBAL. Is this in addition to the 40 postal officials?

Mr. SWYGERT. No. The 40 is inclusive of those as well as some others in the field. In other words, 40 is the top figure overall.

Mr. ROYBAL. Forty, then, includes the Assistant Postmasters General, and does it also include any other categories not mentioned in this report?

Mr. SWYGERT. Yes. It includes some regional Postmasters General not mentioned here. There are five regional Postmasters General not included in the 40.

Mr. ROYBAL. Then the total amount is 40 postal officials?

Mr. SWYGERT. Let us say approximately that. I would not want to say exactly 40, but it is somewhere in that neighborhood. It could be more. I think this would be a low rather than high figure.

Mr. ROYBAL. Would you for the record tell us what is meant by the recurring annual added cost of the July 1971 package?

Mr. SWYGERT. When the new labor contract was negotiated and signed in July of 1971 which provided for annual increases in increments of \$250 a year, and so forth, at the time that was signed there was a one-time payment to every postal employee on the rolls of \$300 as a bonus. That is a one-time payment of that \$300 which was part of the settlement or part of the contract which was negotiated and signed in July of 1971.

Mr. ROYBAL. Did that amount to \$212 million?

Mr. SWYGERT. That was the estimated cost. I have not seen any figures published officially since then to confirm that cost but that was the estimated cost.

Mr. ROYBAL. What about the recurring annual added costs of this package which you estimate to be \$950 million? Is that in addition to the \$212 million?

Mr. SWYGERT. Yes.

Mr. ROYBAL. That was done by negotiation between the unions and the Postal Service?

Mr. SWYGERT. Yes. We have a list of those right here.

Mr. ROYBAL. Will you include that chart in the record in answer to the question?

Mr. SWYGERT. We shall insert it.

(The list referred to follows:)

PAY & FRINGE BENEFITS TO POSTAL EMPLOYEES
(SINCE JANUARY, 1969)

DATE	DATE EFFECTIVE	DESCRIPTION OF INCREASE	COST TO TAXPAYERS AND MAIL USERS PER YEAR (IN \$ MILLIONS)	
			ONE-TIME	CONTINUING
1970	Dec., 1969 (Retroactive)	Strike Pay-Off of 6% (All employees)		\$450
1970	Apr., 1970	Cost of Union Support for Postal Reform 8% (All employees)		\$550
1971	July, 1971	\$300 each employee (Bonus)	\$212	
1971	July, 1971	\$250, each employee		\$190
1971	Oct., 1971	250, each employee		\$190
1971	Jan., 1972	\$250, each employee		\$190
1971	July, 1972	\$250, each employee		\$190
1971	Jan., 1973	\$250, each employee		\$190
1971	July, 1973	Amount to be determined based on cost of living		
1972	Nov., 1971	\$1,000 each supervisor and postmaster		\$60
1972**	Jan, 1972	Fringe Benefits		

* Postponed from October until January by Price Freeze but retroactive at that time.

** It is impossible to place a cost on these items. They do, however, include additional relaxation of uniform rules and scheduling of annual leave, which add costs to the postal system. The U. S. Postal Service says they are "no-cost" items.

Mr. ROYBAL. Thank you, Mr. Chairman.

Mr. STEED. Gentlemen, in behalf of the committee I would like to express our appreciation to you for your appearance. You have been very helpful.

Mr. COLE. Thank you, Mr. Chairman.

POSTAL MATTERS

WITNESS

MISS GERMAINE KRETTEK, ASSOCIATE EXECUTIVE DIRECTOR OF THE AMERICAN LIBRARY ASSOCIATION

Mr. STEED. The committee will be in order.

The committee is in session to take statements from outside witnesses.

At this time we are glad to welcome Miss Germaine Krettek, the associate executive director for the American Library Association. She has a statement she would like to make.

We welcome you before the committee, Miss Krettek.

Miss KRETTEK. Thank you, Mr. Chairman and gentlemen. I have a rather brief statement. If it meets your approval I would like to ask the entire statement be put into the record or I can read excerpts from it.

Mr. STEED. Proceed in your own way.

STATEMENT OF GERMAINE KRETTEK, ASSOCIATE EXECUTIVE DIRECTOR, AMERICAN LIBRARY ASSOCIATION

Miss KRETTEK. My name is Germaine Krettek and I am associate executive director of the American Library Association, a nonprofit, educational organization founded in 1876. The association's membership of about 30,000 includes librarians, trustees, and other public-spirited citizens who are dedicated to advancement of the Nation's libraries as vital factors in the continued educational, economic, and cultural progress of the people of the United States. The association's concern includes libraries of every kind: Public libraries; school, college, and university libraries; research libraries; and many others. I am glad to have this opportunity to appear again before your subcommittee as I did last year on the matter of appropriations for the Postal Service, especially those which relate to the 5- and 10-year gradual phasing in of increased rates resulting from the Postal Reorganization Act of 1970 (Public Law 91-375).

When I appeared before you last year on April 29 we were at the very beginning of the long drawn out hearings before the Postal Rate Commission on the Postal Service's proposals for increases in rates. As you know, those proceedings continued until early winter of last year and it was not until February 3 that the hearing examiner for the Commission handed down his initial decision. The Postal Rate Commission has not, as of the time this statement was prepared, acted on the examiner's recommendation, although such action could occur at any time.

Although our public, school, and academic libraries use all types of mail, we concentrated our efforts in the proceedings before the Postal Rate Commission on the fourth-class library rate which we

use for interlibrary loans and which is entitled under the Postal Reorganization Act to a 10-year stretchout period; and the special fourth-class book rate, which is the rate applicable to our receipt of books from publishers and distributors by mail on which we pay the postage. This latter rate is entitled only to a 5-year stretchout period.

The Postal Service proposed an increase in the library rate of 130 percent over the 10-year period, and despite our presentation the examiner's initial decision was to endorse the Postal Service proposal. On the special fourth-class rate the Postal Service proposed an 83-percent increase over the 5-year period; and in this case the examiner, finding that the Post Service cost figures were too high, proposed a rate which would represent only a 50-percent increase over the 5-year period.

Libraries of all kinds are going through a period of severe financial crisis and the impact is particularly heavy on our funds for acquiring the materials for our collections which are the basis of our service. Any increase in postal rates on special fourth-class mail comes out of that shrinking acquisitions budget. In the case of the library rate used for interlibrary loans, this is a direct expense against one of our most useful services.

We can state that postal service is essential to the operation of virtually every library, and it is especially significant to the smaller and more remote libraries. Shipments of from one to 10 books from publishers to libraries are usually through the mails. Probably nine-tenths of the books shipped by academic publishers, including the university presses, are delivered by mail. Thus, nearly all the books bought by the smaller libraries and library systems come in this way and about half of the books purchased by college and university libraries are delivered by mail.

These books are mailed at the special fourth class rate. Publishers also use this rate for their shipments of audiovisual materials to schools and libraries. Increases in this rate are passed on to the purchasers, libraries, by publishers. Libraries, in turn, charge these higher costs to their budget for acquisition of books and other materials. The result of higher rates for fourth class mail, therefore, is purchase of fewer books for the use and enjoyment of the public including tens of millions of students.

Libraries are particularly concerned with the library rate. They use this rate for their delivery of books to other libraries through the long-established system of interlibrary loans. Virtually all interlibrary loans are made through the Postal Service. After surveying 84 representative libraries, we found that 89.46 percent of their interlibrary loans are made by mail. Three of these 84 libraries have their own delivery systems, and when their operations are excluded, the percentage of the total volume of interlibrary loans utilizing the mails rose to 91.33 percent.

Interlibrary loans knit together the libraries of the Nation. No single library even attempts to acquire everything that is potentially available, nor should any endeavor to do so. This is because every library can borrow the items needed by its users from another library that possesses them. This service is especially important to the smaller libraries and to those not located near larger libraries. However, even

the largest public and university libraries, those that serve researchers and scholars, depend on interlibrary loans. It is these libraries, in fact, that handle the bulk of the interlibrary loan transactions.

Libraries also use the library rate for delivery of books to home-bound patrons who are unable to come to the library because of their age or physical handicaps. This is a growing service of public libraries that has been given special encouragement by Congress in the provisions of the Library Services and Construction Act. Congress recognized the unique status of libraries by establishing and continuing the library rate, and by specifically citing education in the basic legislation for the new Postal Service.

All of this is by way of background leading up to our wish to stress to your subcommittee the vital importance of the appropriations to phase these massive postal rate increases over the 5- and 10-year periods provided in the Postal Reorganization Act. That the Congress was exceedingly farsighted in providing for these transition periods has now been demonstrated. We are pleased to see that this year the Postal Service has again recommended these phasing appropriations for all classes of mail, although once more the Office of Management and Budget has not requested the transitional appropriations for bulk third-class mail. It is our feeling that phasing appropriations should be made for all classes of mail entitled to them, and we urge that the public service and phasing appropriations requested by the Postal Service for all classes of mail be adopted, subject to such overall changes as the subcommittee finds necessary, looking at Postal Service costs and revenue as a whole.

It is essential that libraries have the full periods specified in the law for transition to the ultimate rates set by the Commission. Libraries will be hard pressed as it is to carry the higher costs, and their services will be curtailed commensurately in many places, because library budgets are set at least a year in advance, and often they are determined 2 years in advance of the operating year. Appropriations sufficient to permit timely adjustment to the higher rates are therefore vital to libraries.

We very much appreciate this opportunity to present the views of the views of the American Library Association.

Mr. STED. We thank you for your statement. Of course, we agree with you regarding the importance of libraries. Surely we do not want knowingly to do anything that will add to the problems of what we think is a fine public facility.

When it comes to matters of appropriations we feel that under the circumstances we have been quite generous with the Post Office Department and there has been no action on the part of this subcommittee which would justify any policy they would desire to change. The problem we have is the fact that when you speak of revenue foregone you accept blindly what they say it is or you try to arrive at some other type of determination because there are many different versions of what revenues foregone really are. There is no agreement on it.

Until the Rate Board actually makes its findings there is no official way actually to pinpoint what are revenues foregone. Inasmuch as we have not had any action by the Rate Board as yet it leaves us with quite a problem.

We are hopeful that this part of the problem will be settled before we have to mark up the bill. It would help us a great deal. Otherwise

we will just have to do the best we can in trying to arrive at what seems to us to be reasonable in the way of amounts.

I suppose we could rubberstamp the Post Office Department, but we try to be a little more reasonable than that. I think the results so far this year show we were not short-shrifted with the Department this year and I do not think we will be this year.

In short, we want to be helpful and we want the Department to conquer their problems. They have many of them. It will take time for many of them to be solved. We want to be as patient and helpful as we can.

Mr. Robison?

Mr. ROBISON. I have no questions, Mr. Chairman. But I appreciate Miss Krettek's coming before us again and reminding us of this special problem area.

Miss KRETTEK. Thank you very much.

Mr. STEED. Mr. Roybal?

Mr. ROYBAL. I have no questions, Mr. Chairman.

Thank you.

Mr. STEED. Thank you very much. We appreciate your information. This is a subject about which too little is known.

Miss KRETTEK. I always appreciate your courtesy and appreciate the opportunity to present our views.

POSTAL MATTERS

WITNESS

ROBERT W. FRASE, VICE PRESIDENT AND ECONOMIST OF THE ASSOCIATION OF AMERICAN PUBLISHERS, INC.

Mr. STEED. The committee is in session this afternoon for the taking of testimony from outside witnesses. We now recognize Mr. Robert W. Frase in behalf of the Association of American Publishers, Inc., in support of the 1973 Postal Service appropriation.

Mr. Frase, welcome before the committee. We will be glad to have whatever statement you wish to make.

Mr. FRASE. Thank you, Mr. Chairman.

STATEMENT OF ROBERT W. FRASE ON BEHALF OF THE ASSOCIATION OF AMERICAN PUBLISHERS IN SUPPORT OF FISCAL 1973 POSTAL SERVICE APPROPRIATIONS

My name is Robert W. Frase and I am vice president and economist of the Association of American Publishers, Inc., with offices at 1826 Jefferson Place, NW., Washington, D.C. The AAP is the trade and professional organization for the book and educational publishing industry. Its 260 members include not only commercial book publishers, large and small, but also some 30 university presses and publishing departments of religious denominations. Its membership account for over 80% of the book publishing in the United States.

I welcome this opportunity to appear before you again as I did last April 29 on the appropriations for the Postal Service. My purpose is the same as it was last year, to urge that your subcommittee appropriate the funds necessary to make an orderly transition and adjust-

ment to the much higher postal rates over the next few years which seem almost certain to result from the Postal Reorganization Act of 1970. This is neither the time nor the appropriate forum for discussing whether changes in the Postal Reorganization Act would be desirable. We happen to think that they would be, and we will present testimony on this subject in the hearings on the experience with the Postal Reorganization Act which Congressman Udall's subcommittee of the House Post Office Committee has scheduled as soon as the Postal Rate Commission hands down its decision in the first postal rate case, which presumably will be within the next few weeks.

We hope that the Congress will wish to clarify the policy guidelines for the Postal Service and the Postal Rate Commission which are incorporated in the Postal Reorganization Act, and have been interpreted by the Postal Service and the hearing examiner in the course of the first rate case; and will further be interpreted by the Postal Rate Commission when it hands down its first initial recommended decision.

Meanwhile your subcommittee is faced with the practical problem of making fiscal 1973 appropriations to the Postal Service for public service; for phasing of increased postal rates for various classes and subclasses of mail over a 5- or 10-year period; and for transitional costs. This year, as last year, the Postal Service has requested appropriations for these various purposes which are identical with those proposed in the President's budget, with one exception. The exception is the appropriation to stretch out over a 5-year period increased postal rates for bulk third-class mail. In this case the Postal Service has requested \$214 million for this phasing of increases in bulk third-class mail whereas the administration budget does not include this amount.

Our recommendation to your subcommittee this year, as it was last year, is that these phasing appropriations be made for all classes of mail. We believe that the Congress was wise in setting up an orderly transition from the previous system of setting postal rates by the Congress to establishing those rates (at a much higher level) by recommendations of the Postal Service strained through a long and formal proceeding before a Postal Rate Commission. As you well know, the rate increases proposed by the Postal Service over the next 5 or 10 years for practically all classes and subclasses of mail are several times as high as the increases legislated by the Congress for any similar periods. Therefore, it is essential, in our view, that the careful program laid out by the Congress and incorporated in the Postal Reorganization Act for spacing these increases out over 5- or 10-year periods be followed.

In urging that your subcommittee not get into the business of rate setting by failing to appropriate phasing funds for any class or subclass of mail we are not suggesting that the subcommittee should not properly make up its own mind about costs, revenues, and efficiency in the Postal Service, and make its own judgment as to the total amount of money which should be appropriated to the Service. We simply urge that the subcommittee not fail specifically to appropriate phasing funds for a particular class or subclass of mail, which would then result in the Postal Service increasing this particular class or subclass of mail by administrative action. This was done by the Postal Service last year on the allegation that the Congress had refused to appropriate the phasing funds for bulk third-class mail. This action was

challenged in the courts, and as you know the results have been somewhat inconclusive, and not finally resolved.

The members of the Association of American Publishers are interested in several classes and subclasses of mail, among them being first-class; special fourth-class, used for shipping of books to our customers although the shipping charges are usually paid by the recipients, whether schools, libraries, individuals, or bookstores; bulk third-class mail which is extensively used for book advertising directly to the consumer; and the library rate which is important for interlibrary loans and is also used to a limited extent for the shipment of audiovisual materials to schools and libraries.

We have had an instructive experience since I appeared before you a little more than a year ago of participating in the long proceedings before the Postal Rate Commission beginning March of 1971 and running through November. I was the principal economic and statistical witness for our association, particularly with respect to the special fourth-class rate. That experience reinforces my view that the Congress was extremely foresighted and wise in providing for phasing of new and higher rates for the several classes and subclasses of mail over 5- or 10-year periods. The appropriations necessary for this purpose should be voted by the Congress.

We urge you, therefore, to accept the proposals of the Postal Service for public service, for transitional costs and for the phasing of postal rate increases, including bulk third-class mail, subject to such over all restrictions on the total appropriations for the Postal Service which you think is called for on the basis of your examination of the factual data presented by the Postal Service and your interrogation of the Postal Service witnesses before your subcommittee in these hearings.

Mr. STEED. Thank you very much, Mr. Frase. Of course, as has been true with the other very interesting witnesses who have come here to discuss these postal matters with us, the problem we had last year is still with us, and that is the fact that the Rate Commission has not yet made a decision.

Mr. FRASE. We are waiting as much as you are, Mr. Chairman, for that.

Mr. STEED. Until this determination is made official everything will still be in dispute. We are in the position of either rubberstamping the Postal Department and saying that their allocations are right, or using some judgment of our own, or agreeing with those who oppose it. There is nothing we can do to escape some part of the controversy until the Rate Commission does settle that part of the problem.

I assure you that through long years of experience with the Department we may not be any more generous with them this year than we were last year, but we believe we did give them adequate funds, and we gave them these funds with enough freedom of motion that they could meet any requirements they might face in carrying on their work and their business.

We will go over the matter with them again. After all, we have been very sympathetic with the Post Office Department, perhaps more strongly dedicated to helping them make this corporate idea work than anyone else around here. However, there are still some phases of it where we feel a strong responsibility and to which we will give strong scrutiny.

We appreciate all the more the outside witnesses coming before us to share with us their views because, as I say, it will not be an easy job. It will take years for this whole concept to really get solved. Matters will be considerably clarified when we get this rate matter settled once and for all and have that as a guideline. It would be helpful to us if, before we go into final decision on this bill, we knew once and for all what the revenues foregone would be. Do you have any questions, Mr. Robison?

Mr. ROBISON. No, sir; Mr. Chairman.

I appreciate the statement as given us by Mr. Frase and assure him we will give it careful consideration.

Mr. FRASE. I appreciate the opportunity to appear. It was partly to give you my view, having gone through this whole matter, but also to indicate our continuing interest in the problem and your key role in it.

Mr. STEED. We are very grateful to you for taking your time to come here and visit with us.

Mr. FRASE. Thank you very much.

POSTAL MATTERS

WITNESSES

STEPHEN E. KELLY, PRESIDENT, MAGAZINE PUBLISHERS ASSOCIATION

JOHN BURZIO, WASHINGTON, D.C., COUNSEL FOR MPA

Mr. STEED. The committee will now recognize Mr. Stephen E. Kelly. Mr. KELLY. Thank you, Mr. Chairman; glad to see you again.

Mr. STEED. Mr. Kelly, we welcome you as president of the Magazine Publishers Association. If you would like to identify your associate for the record, we will be glad to have whatever statement you see fit to make.

Mr. KELLY. We will do so.

With me is the Magazine Publishers Association, Washington counsel, John Burzio of the firm of Hydeman & Mason.

Mr. Chairman and members of the committee: I am Stephen E. Kelly, president of the Magazine Publishers Association. I am appearing today to state MPA's support of the Postal Service's request for the public service and revenue foregone appropriations authorized by the Postal Reorganization Act of 1970. I am speaking on behalf of MPA's 156 member publishers and the 400 consumer magazines they publish. MPA's members represent 85 to 90 percent of the total magazine industry in terms of advertising revenue.

Mr. Chairman, I first want to express our appreciation to you and the members of your committee for your action last year in appropriating sufficient funds to cover the sum determined by the Postal Service to be necessary for revenue foregone. This appropriation was essential last year to the Postal Service—to provide needed operating funds—and to the classes of mail-users, including magazine publishers, for whom revenue foregone is authorized—to alleviate what would otherwise be a crushing initial rate increase.

I am aware of the committee's reluctance to consider postal rate matters because of the rate proceeding before the Postal Rate Com-

mission. I would like to discuss, however, the importance of the revenue foregone appropriation to the publishing industry and its subscribers and the impact of a failure of appropriations. As you know, section 3627 of the Postal Reorganization Act authorizes the lower phased rates to be increased if Congress fails to appropriate the sums authorized for revenue foregone. The brief discussions which follows illustrates what could happen if the revenue foregone is not appropriated.

The Postal Service requested the Postal Rate Commission to fix a new permanent rate for regular rate second-class magazines averaging about 158 percent more than the then-existing rate. The first step increase will cost magazines over \$28 million in additional second-class postage based on fiscal year 1970 volume. The permanent increase, if approved by the Commission, will raise regular rate second-class postal costs for magazines by over \$134 million.

Even spread over a 5-year period, postal rate increases of this magnitude—whether measured in terms of percentages or absolute dollar costs—present second-class publications with grave financial problems. MPA commissioned an independent economic consulting firm to assess the impact of the proposed postal rates on the magazine industry. A review of the financial consequences to 42 magazines representing over 70 percent of total magazine subscriptions disclosed that their total revenues would decline by 8.3 percent, if the full rate increase were passed on to advertisers and subscribers. The group's 1970 operating profits would have been reduced by 79 percent—from approximately \$32 million to \$7 million. If the group had attempted to absorb the full rate increase, their 1970 operating profit would have been converted into a \$59 million loss.

The Postal Rate Commission has not yet reached a decision. We, of course, hope that it will not approve the full rate increase requested by the Postal Service. But even if some relief is granted, the second-class magazine publishing industry will still be faced with the largest single permanent rate increase in its history. Unless there is a 5-year phase-in of this rate increase and appropriations are made to cover the difference between the phased rate and the permanent rate, there is serious doubt about the economic viability of a large segment of the industry.

Without this appropriation the publishing industry will be confronted with an immediate one-step jump to the full permanent rate at a time when it is experiencing great difficulty in meeting the 20.6 percent temporary rate increase imposed just a year ago yesterday and is faced with the first step of the permanent rate which could add an additional 10 percent to its postal costs this year.

Even with the full amount authorized to be appropriated, it is unlikely that the magazine industry can continue to provide low-cost, general-interest publications to the public on the same scale it does at present. Higher postal rates may well change the structure of the magazine industry, as well as the nature and type of its publications. Without the appropriations there is no doubt that the dissemination of information and opinion through the medium of magazines will be seriously restricted.

We also urge the Committee to approve the amount requested by the Postal Service for public service. We believe it was the intent

of the Postal Reorganization Act to provide this continued and stable source of funds for public service to assure postal services to small communities and also to lessen the impact of rate increases on all mail users during the hoped-for transformation of the Postal Service into an entity with more efficient and economical management and therefore better postal service.

Mr. Chairman, we appreciate this opportunity to present our views on the appropriations requests before you. We hope you will once again provide the Postal Service with sufficient funds to cover the revenue foregone and public service requests of the Postal Service.

Thank you, sir.

We will try to answer any questions you may have.

Mr. STEED. Thank you very much for a good statement, which we are pleased to have.

Of course, you understand it is an easy thing to say revenue foregone and accept arbitrarily a figure presented by the Post Office Department which would serve the purpose of covering any and all of their shortages of funds, whether it was a true revenue foregone item or not, but we have to take a little different look at it and here is one of our problems.

They say that certain cost allocations are chargeable to certain classes of mail and therefore that justifies certain rates and that these rates are less now than the cost to the Department of handling the mail and that the revenue foregone is a certain amount of money.

Well, the affected class of mail users disputes in many cases these cost allocations. There is a real controversy going on before the Rate Commission as to whether the Post Office Department has made fair and proper cost allocations as to the different classes of mail. So when an agency fighting for its life, or what it thinks is its life, before the Rate Commission takes the position that the Post Office Department has been in error in its cost allocations and rate recommendations as to this particular class of mail in the first place, and, on the other hand, comes out here and recommends that we accept the Post Office figures blindly as revenue foregone and appropriate the amount of money necessary to maintain the phased-in rates, it puts us in a rather peculiar position as to which one of the statements do they want us to believe, the testimony here or the testimony before the Rate Commission, all of which is by the way of emphasizing the difficulty that the failure of Rate Commission acts leaves upon all of us.

Mr. KELLY. Yes, sir; we share that with you.

Mr. STEED. Because once they have decreed what the official rates should be, then it is a simple matter to determine what revenue foregone is. There would be no problem for this subcommittee to make those funds available, and in the meantime we have this other phase which is a difference between us.

They assume that because the law says 10 percent they can arbitrarily pick up 10 percent of the 1971 budget as a lump sum. Well, as we read the law, it says they can claim up to 10 percent for public services, and they did not make anything like a showing that they had rendered 10 percent worth of public services last year and, although we allowed most of the 10 percent and since it still counts as just rendering public service, it represents a rather sizable little bonus.

We give it to them in a lump sum so they can allocate it where they need it. So as we look at it, for years and years they come here and

beg for transfer authority and finally we give them 100 percent transfer authority, now all of a sudden they want us to take that away from them. This is a new wrinkle for the Department to be in because they could use us then as a whipping boy in some of the arguments that they are having before the Rate Commission. But the thing of it is, looking at the total picture, it strains our credulity just a little bit for a management team to say that with a budget of over \$10 billion that a matter of \$200-plus million more or less would just wreck their whole year's operation.

You know, this is just a fraction of 1 percent and you could almost wait an hour or two in hiring the replacements of your work force for a year and make that amount of money, so this is a little bugaboo.

Now, if they want to do it, it will not make any difference how much money we allowed; they could come up with a new factor of revenue foregone, a cost allocation, tomorrow and have you back before the Rate Commission on a brand-new basis and you would still be faced with higher rates.

I think we are not just being arbitrarily critical of the Department. We realize they have some tough problems. We are their friends. We want them to succeed and we I think feel that we have given them all the money they actually need and all the money we can justify under the authority under which we operate and at the same time be responsible to the Congress, to the taxpayer. We are not in any sense whatever interested in any punitive action against them or anything else. It is a matter of making what we think is a serious determination and something that we can stick with and defend and face our colleagues with and get them to believe that it is the basis upon which we ought to operate.

One of the favorite indoor sports is for Members of the House to damn the Office of Management and Budget whenever it has not seen fit to put in the budget items in which individuals have an interest but, on the other hand, you find a matter of a vote on economy where the Bureau of the Budget happens to be on the side of economy and then it becomes sacred and holy. If you try to go above the budget, you have a grave long-nosed situation with these same fellows to face up to. So it is difficult on these kinds of controversial items to go over a Bureau of the Budget item because it creates real problems.

At any rate, we are going to have the Post Office people out here next week and we are going over their budget with them. We are going to appropriate what we hope will see them through the year, and we are for the phased-in program. We think that is a vital part of the program.

Mr. KELLY. Good.

Mr. STEED. We believe probably more than any other segment of the Congress that they are faced with a minimum 5-year need of time to get on their feet, to get this problem licked.

Mr. KELLY. Yes.

Mr. STEED. That it is just not something that lends itself to instant solution. We have some concern here with the impatience of the Congress being willing to give them the time, 5 or more years. We think they are going to have to have an uphill battle.

There are many time-consuming actions they have to take before they are going to be physically in a position to cope with some of their

problems and begin to get service on a dependable basis and costs on a downward trend.

Mr. KELLY. Both of course are vital to us.

Mr. STEED. So we are just going to have to stick with it and stick with the management down there and hopefully help them buy the time that we think they need to get the Nation's postal service business straightened out.

I think we waited too many years before we started and it always puts a penalty on getting the answers.

Mr. KELLY. I know your views on that.

Mr. STEED. But I do believe we are moving in the right direction.

Mr. KELLY. It is good to hear it.

Mr. STEED. They may squawk and squeak about a few dollars, but I think you can rest assured they will have enough money to make it through the coming year.

Mr. KELLY. We share your view, too, on the Commission's decision. We are waiting anxiously, too.

Mr. STEED. Even if they make decisions that are not exactly in accordance with your view, it does become an official milestone and guideline to work from.

Mr. KELLY. Precisely.

Mr. STEED. It eliminates the argument. We do not have the uncertainty of the labor dispute we had last year. The cost of that in dollars is so big maybe we would be better off if we were still wondering what it was going to be instead of having certain knowledge what it is. But it still does bring that part to a pretty firm head and helps you get to the root source of the dollars involved and it will do likewise on the rates if the Commission will act, and until it does, we are still in the position, no matter whom we agree with, you are still in dispute with somebody because every one of these matters is in dispute and will remain so until they are officially decided by the Rate Commission.

Mr. ROBISON, do you have any comments or questions?

Mr. ROBISON. Mr. Kelly, your association includes some 156 member publishers who publish, in turn, some 400 consumer magazines; correct, sir?

Mr. KELLY. Yes, sir.

Mr. ROBISON. What is a "consumer magazine," out of curiosity?

Mr. KELLY. Well, you, for example, are a consumer, as opposed to a Member of the Congress—I mean a straight line consumer.

Mr. ROBISON. I devour it with my eyes, so to speak—I consume it in that sense?

Mr. KELLY. Consume in the sense of buying, yes, sir, as opposed to a technological publication, or a strictly straight line business publication that would address itself to a businessman, rather than, as we say in the trade, to the straight line consumer.

Mr. ROBISON. I thought that is probably what you had in mind. You tell us that your survey which was done by an independent, economic consulting firm looked at only 42 magazines that represented over 70 percent of the total magazine subscriptions. That means then, out of the 400 publications that are put out by your members, some 42 thereof, collectively, had over 70 percent of the magazine subscription market?

Mr. KELLY. Yes, sir. The survey was taken from those at the top. Yet there are many, many small publications that we have that would

range from 18,000 to perhaps, half a million in that category, Congressman. There are a number of titles, yes, sir.

Mr. ROBISON. They would have limited consumer interest or special consumer interest?

Mr. KELLY. "Special" is a good word, yes, sir.

Mr. ROBISON. As opposed to Time, Life, and these other kinds of general circulation magazines?

Mr. KELLY. That is right. These represented in the survey are the kinds of titles, plus many others, that you have just referred to, like Better Homes and Gardens, for example, which is a very large publication today.

Mr. ROBISON. I have no doubt, sir, that absorbing the proposed rate increase for mail subscriptions is a real problem for your industry, but what can you tell us about the change, if there is a change, in the trend of mail subscriptions as opposed to over-the-counter sales or whatever the industry calls them?

Mr. KELLY. It has moved much more toward subscriptions as opposed to single newsstand copy sales.

Mr. ROBISON. It continues to move toward mail subscription?

Mr. KELLY. It has up to now and it would be difficult to either predict or project much of a change. Now, I do not think that it will continue to move as rapidly, perhaps; but you just do not have the availability of the counter space or the newsstand space.

It used to be that you went to your corner store and picked up your copy of the magazine and you went to the newsstand and it was much more available in city centers. All of that has changed vastly.

Mr. ROBISON. You can go to certain grocery stores and pick up certain special magazines?

Mr. KELLY. Yes, sir; that is true. That is another good device that certain publishers have used. There is no question about it.

Mr. ROBISON. But if mail rates for this type of second-class publication continue to go up, do you think the trend would be away from mail subscriptions and back more, of necessity, toward over-the-counter sales?

Mr. KELLY. Well, I would have to say that our people would like to encourage that over-the-counter sale, as you refer to it, and correctly, or the single copy sale, but it is very difficult. It is difficult, for the reasons I have already stated; also there is the fact that the subscriber who has moved to the suburbs, for example, has indicated that he wants his product coming into the home.

Mr. ROBISON. Well, Look magazine went out of business a while back to the unhappiness of some of its long-time subscribers. It probably did not go out because of mail rates alone. That might have been a factor.

Mr. KELLY. Well, it was a considerable factor.

I happened to be present when the principal press conference was held with Mr. Gardner Cowles as the spokesman, and he gave that as a major factor as they looked ahead.

Mr. ROBISON. The straw that broke the camel's back?

Mr. KELLY. Mainly looking ahead and seeing no relief, Congressman. In other words, it is not so much this year. Our people have already made, as we indicated here, adjustments to the 20-percent increase that fell on May 16, a year ago; they made adjustments for

that increase, but Mike, as he is known to us, Cowles said as he looked ahead 5 years he saw no relief in sight. They were getting pretty discouraged as we went into this rate case—from a \$4 million second-class bill to get their product distributed to an \$11 million bill 5 years down the road. So in their view—and they run their own business—apart from, say, our view, it was a major factor, yes, sir.

Mr. ROBISON. Off the record a moment.

(Off the record.)

Mr. ROBISON. I have no further questions, Mr. Chairman.

Mr. KELLY. Thank you, sir.

Mr. STEED. Off the record.

(Off the record.)

Mr. STEED. On behalf of the committee, may I express my appreciation to you, Mr. Kelly and Mr. Burzio, for your appearance and providing us with your views and this information. We are going to have the Post Office officials next week and then we are going to have to make some decisions and you have been helpful to us with your views because, anyway you look at it, it is a subject we will not know too much about when we finish our work and it is one that will not be too easy to solve, but I do believe that we will find a way to keep the good old Postal Service in action, hopefully, and not destroy all its customers in the process.

Mr. KELLY. Thank you very much, Mr. Chairman. We share that view.

Thank you, very much.

Mr. BURZIO. Thank you.

POSTAL MATTERS

WITNESS

TIMOTHY J. MAY, GENERAL COUNSEL, PARCEL POST ASSOCIATION

Mr. STEED. The committee will be in order.

The committee is in session to receive testimony on various matters from outside witnesses and we are now pleased to welcome Mr. Timothy J. May, general counsel of the Parcel Post Association, who has been before this committee many times, and I think his first appearances were during a time when he was a part of the postal management team.

Mr. MAY. Yes, sir.

Mr. STEED. So we are glad to welcome you again and would be pleased to have whatever statement you would like to make.

Mr. MAY. Thank you very much.

If you prefer, I could submit my prepared statement for the record and summarize my comments.

Mr. STEED. Fine. That will be all right.

(The statement follows:)

Mr. Chairman: My name is Timothy J. May, a partner in the Washington law firm of Patton, Boggs, Blow, Verrill, Brand & May, and I appear here today as general counsel of the Parcel Post Association. As you know, the members of the Parcel Post Association are primarily small retail businesses who rely for their continued economic vitality upon an efficient postal service that provides reliable parcel deliveries to all Americans, regardless of where they live, at a fair and reasonable price.

I appear here today to plead with the subcommittee to honor the commitment made by the Congress when it passed the Postal Reorganization Act in August 1970. As this subcommittee knows, that act was the culmination of many years' study by the Congress, by the Kappell Commission, and several postal administrations, all of which studies concluded that the postal system could not be well managed unless it was freed from its archaic management structure, outmoded labor practices, and inadequate funding mechanisms. The U.S. Postal Service is now not quite 1 year old, having been fully implemented into law as of July 1, 1971. Consequently, this is the first appropriation request to the subcommittee which can be judged on the basis of almost a year's operations under the Postal Reorganization Act. Quite candidly, the difficulties of the Service in the first year of its new operation give credence to the predictions made by all realistic students of the Post Office, that it would take at least 5 years to turn the system around so that the new management techniques, labor structure, and massive infusions of capital to produce necessary mechanization and modern plants, could begin to result in efficient postal service at reasonable prices. The Congress itself recognized that this turn around time would be necessary, and because of that, the Congress insisted upon a continuation of support, through appropriations, by all the taxpayers, for a service which benefited all Americans. The Congress recognized the fundamental unfairness of immediately thrusting upon mailers the full cost of operating an essentially public service, which was still suffering under the latent effects of the old machinery.

The central feature and safeguard in the Postal Reorganization Act—to insure the continuation of the many postal functions and services necessary to provide uniform treatment to all Americans regardless of whether they lived in a small town or a rural community, these and many other services which, from a strictly business point of view, might not be justified—was the appropriation provided for in section 2401, commonly known as the public service appropriation. The Congress determined, in that section, that a fair measure of the value to all Americans of the Postal Service, the public service aspect of the Postal Service, was 10 percent of the expenses of operating the Postal Service during fiscal year 1971. As each year passes and as expenses continue to increase, either through inflationary pressures or simply through increases in volume, that amount of money will be ever diminishing as a percentage of postal costs. On the other hand, the effects of the Postal Reorganization Act, and the resultant efficiencies which it should bring, will, hopefully, produce a relatively less expensive postal service for its users; the users will therefore be able to bear an increasingly larger burden of supporting the nonbusiness, public service aspects of the system.

We think it needs to be emphasized that included in the concept of "public service" in the Post Office are many services received by the general public beyond the maintenance of small post offices in small communities and rural service. We think it is unfortunate that, during last year's appropriation hearings, the Postal Service did not document for this subcommittee's attention what those numerous public services are. Their manner of presentation left the impression that the only public service aspects of the Post Office, and therefore the only costs that needed to be covered by the Public Service Appropriation, were the deficiencies incurred in operating these small post offices and rural services, or roughly a total of \$300 million. It must be emphasized, that when the Congress enacted section 2401, stipulating a public service appropriation equal to 10 percent of fiscal 1971 costs, or roughly \$930 million, Congress was well aware that the public services were far broader than the mere maintenance of small post offices and rural services; Congress was well aware that those particular services sustained a deficiency of only approximately \$300 million. Consequently, the Congress intended in section 2401 to appropriate taxpayers' money for the support of many other service aspects of the postal system which would generally benefit all Americans, but which perhaps could not be justified on a strictly business basis if the mailers are required to pay the full costs thereof.

The Congress cannot fairly expect the business users of the postal system to support, perhaps by as much as a billion dollars, through their rate system, the costs of supplying postal services which are not essential to the conduct of their business or essential to their business use of the postal system. If the business users of the postal system must pay the full cost of sustaining that system, then they must be given a voice in determining what they regard as the

essential business of that system. Such a development, we believe, would be disastrous to the American people. The postal system belongs ultimately to them, and the many public service features of that system are needed by the American people and are a Government service for which the American people are more than willing to pay through their tax revenues. We therefore urge that this subcommittee grant the full public service appropriation authorized by the Postal Reorganization Act and requested by the President in his budget submission.

I would also like to state the strongest misgivings that our association members have for the action of the Bureau of the Budget in refusing to honor the intentions of Congress by failing to request an appropriation for the "revenue foregone" to permit the phasing-in of third-class postal rate increases, as was dictated by section 3626 of the act.

It is true, of course, that section 3626 does not require the Congress to appropriate revenues foregone for second-, third-, and special-rate, fourth-class mail, but merely authorizes the appropriation of those amounts. Needless to say, the Congress was aware of the requirement that these funds would have to be appropriated in each of the phasing years through the normal appropriation process. Recognizing that circumstances in the future might dictate to the Appropriations Committees that some or all of these funds should not be appropriated, the act provided that the phasing for any class of mail could be canceled for that year if Congress failed to appropriate the necessary amount of "revenue foregone". But, clearly it was never the intention of Congress that the Office of Budget and Management could intrude in this process and arbitrarily determine that one class of mail was entitled to phasing while another class was not.

To permit the Office of Budget and Management to determine which, if any, of these classes over the next 5 to 10 years will be given an appropriation in any particular year is to grant to the Budget Bureau greater authority for determining the ultimate rate these classes of mail will pay than the Postal Rate Commission itself. The Congress specifically determined to avoid this kind of political ratemaking when it constituted the Postal Rate Commission as an independent regulatory body.

The Postal Reorganization Act very carefully established a duly constituted regulatory body to make rate determinations, in a quasi-judicial atmosphere, after rendering specific findings on the ratesetting criteria that Congress itself established.

It is obvious that the Bureau of the Budget has abrogated to itself the political judgment that Congress had previously preserved for itself in determining which classes of mail were entitled to an appropriation to phase in to the new higher rates. This is plainly and simply a political decision, divorced from all considerations that Congress very carefully elaborated in its criteria for setting rates. Third-class mail was the target this time; the next time around it could be another class of mail. It may be that some members of the committee are insensitive to the plight of third-class mailers; we believe that would be a mistake. We believe that third-class mail is one of the most ethical and effective means of advertising legitimate small businesses that this country has developed. Furthermore, in terms of its cost to the Post Office, the Service itself now states plainly that third-class mail is the most profitable major class of mail that it handles. But that is almost beside the point. What this precedent means is that the Office of Budget and Management, for whatever reasons it wishes, can interrupt or interfere with the delicate ratemaking mechanisms that had been decreed by Congress to be implemented by the Postal Rate Commission over the next 5 to 10 years. It means that at any time during that period, the Office of Budget and Management may decide in a particular year that second-class, third-class, books and records, certain nonprofit institutions are not to have an appropriations for that year, thereby automatically boosting the rate levels for that particular class of mail. Nothing is clearer than that the Postal Reorganization Act had as one of its principal purposes the exclusion from the ratemaking process of this type of arbitrary ratemaking which is based on no criteria, subject to no review, and susceptible to all of the worst influences associated with postal ratesetting in the past. It will destroy the work of the Postal Rate Commission, prevent any type of rate stability, and place all mailers in a posture of never knowing from one year to the next what, in fact, their postal rates are going to be. I need not tell you the serious consequences this has for any businessman, whatever class of mail he uses, when he is faced with total uncertainty over the next 5 to 10 years as to what one of his major cost elements will be.

Last year this subcommittee was well aware that the Office of Budget and Management was trying to involve it directly in the ratesetting process by forcing this subcommittee to specifically deny the "revenue foregone" appropriation for third class. This subcommittee refused to be made a part of any such process, and specifically stated that it was not identifying the cut in the appropriation request; and, furthermore, that it was the subcommittee's opinion that it had appropriated all the moneys necessary to operate the Postal Service for the forthcoming fiscal year. Despite this express statement of intention on the subcommittee's part, the Postal Service has elected to ignore the subcommittee's wishes, and has arbitrarily determined that they will apply the entire appropriation cut to third class and has, again in defiance of the provisions of section 3626, without any recourse to the Postal Rate Commission, increased bulk third-class rates to the full 5-cent level. Given that history, and the fact that the Bureau of the Budget has once again determined that there will be no appropriation for third class, and the prospect that a similar decision may occur in the future as regards other classes of mail, is there any question who has the real authority over the level of postal rates that are going to be paid—the Bureau of the Budget, or the Postal Rate Commission?

We believe that it was clear that Congress intended the Postal Rate Commission to be the body that determines the rates of postage that will be paid, and that it was Congress itself who would determine whether circumstances had changed so that Congress would determine that an appropriation to permit phasing would not be made in a given year. The Postmaster General understands this was the intention of Congress; despite the action of the Budget Bureau, the Postmaster General has requested the full appropriation for phasing for all classes of mail as authorized by law.

The Congress deliberated long and hard over how it would be able to effect a transformation from the inefficient, inadequate, high-cost, low-productivity postal service that we have experienced in recent decades, without a severe economic disruption to business dependent upon postal services. The Congress determined that all mail users should pay their fair share of the cost of running the Postal Service; but the Congress also determined that it would not be proper nor equitable to force mailers to pay for more than the service they were actually receiving. Those congressional intentions, and the commitment that the administration made to Congress to achieve postal reorganization, have now been casually tossed aside, and severe economic disruption is being wreaked upon many small businesses whose whole life is dependent upon reasonable postal rates. To compound this inequity, we find that, in addition, the Price Commission refuses to permit any of these postal increases to be passed along to consumers in the form of higher prices. We find the anomalous situation that the Bureau of the Budget, on its own authority and for its own political reasons, has decided to deny an appropriation to third class, thereby forcing a 25-percent increase in the essential cost of doing business of thousands of small mail-order businesses, and then another arm of the administration, specifically charged with the responsibility of limiting price increases, has forced these small businesses to absorb the entire 25-percent increase. This constitutes a complete perversion of postal reform and a contravention of Congress' express intention. It was Congress' intention to require the third-class mailers to pay fully for their share of the cost of running the Service, once that Service became equipped with modern installations and mail-handling techniques. That was the whole purpose behind the phasing of rate increases. The phasing meant that each year more and more of the burden would be assumed by the third-class mail user, in keeping with the pace of reform, modernization, and improvement in quality of service. That whole scheme has now been frustrated.

We would therefore urge your subcommittee to appropriate for the Postal Service all of the monies that the Postmaster General has requested and that the Congress authorized in the Postal Reorganization Act and which the President himself approved when he signed the Postal Reorganization Act. Only in this way can we preserve Congress' scheme of having postal rates established in an orderly, impartial, judicial manner by the Postal Rate Commission.

Respectfully submitted.

TIMOTHY J. MAY,
General Counsel, Parcel Post Association.

MAY 17, 1972.

Mr. MAY. As you know, Mr. Chairman, the Parcel Post Association is composed of approximately 250 small retail mail order houses who

are absolutely dependent for their life upon reasonable postal rates and efficient postal service.

We are appearing here today to plead with the subcommittee to honor the commitment that the Congress made to the mail users and to the American people when they passed the Postal Reorganization Act in 1970, specifically, to honor the commitment to consider seriously an appropriation that would permit the continuance of the Postal Service as a public service that benefits all of the American people and, more specifically, to provide an appropriation that would permit certain classes of mail to adjust in a more reasonable way to the rather steep increases that were necessitated under the Postal Reorganization Act.

Everybody guessed that it would take some number of years to turn the Post Office around once you did have this basic reform and now we have had in effect almost a year's operation under the new Reorganization Act. It was fully implemented in July 1971, so this committee for the first time has almost a full year's operation under the Reorganization Act upon which to make a judgment as to the necessity of these appropriations.

I think quite candidly the year's operation has borne out the prediction of most postal students that it would take at least 5 years to turn this situation around. There is no way even the best of managers could take a system that was deficient in its management structure, in its employee relations, and in its source of revenues for necessary capital, equipment, and mechanization, and produce any startling results in anything less than 5 years. Consequently, this was foreseen when the Postal Reorganization Act was passed and, in order to provide for this turnaround, the Congress did authorize appropriations.

Congress clearly contemplated that from year to year its appropriation committees would want to take a look at what the circumstances were in that year to determine if circumstances had changed so that the appropriation or the full amount of the appropriation perhaps would no longer be needed.

But we honestly believe, Mr. Chairman, that the year's operations we can see to date suggest quite clearly that certainly at this time that full appropriation that was authorized is desperately needed by the Postal Service.

I would like to address myself more particularly first to the 10 percent so-called public service appropriation. In rereading the committee's hearings last year, it occurs to me that the Post Office, unfortunately, permitted the impression to be created that the public service appropriation really was only to defray the deficiency in the operation of small post offices and rural services, which the committee noted was only about \$300 million, whereas in fact there was something in excess of \$900 million being requested under the 10 percent authorization.

The fact of the matter is, and Congress well knew it at the time, the public service aspects of the Post Office go far beyond, far, far beyond, the maintenance of small post offices and rural services. Nobody can give you an exact figure for it.

I would not be surprised if there was at least a billion dollars a year in expense that is incurred because the Post Office is a public service.

Hard dollars and cents business decisions are not made about whether to curtail this service or that.

I have a number of clients who, I think, would be quite satisfied if delivery were made to homes only 2 or 3 days a week, but I do not think the American people would be satisfied if they got that kind of delivery service. But imagine the amount of savings that could be reaped if the only consideration we had to make in this was what did the business users of the system need.

If that were the only criteria, I do not think there would be any trouble in cutting at least a billion dollars of expense out of the operation of the Post Office. And, if, in fact, the business users are going to have to pay the full cost of the whole system, then in fairness those business users should be permitted to have a say about what operations of the Post Office they need, not what the American people need, but what they need. That I think, of course, would be a disaster.

The postal system is, probably more so than any other Government service, something the American people are willing to pay for. They want it. It is a Government service they cannot do without and they do not want to have unnecessary curtailments in it simply because somebody is trying to balance a budget. It is one of the most legitimate means of spending their tax revenues. This is what the Congress understood when it passed the Postal Reorganization Act. Congress arbitrarily placed a value on public service of 10 percent of fiscal 1971 expenditures. It could be considerably more than that.

It is also realistic to note that as the years go on, and as postal expenses necessarily increase, either through inflationary pressures or simply through the increase in volume, that 10-percent figure will be an ever-diminishing figure; 8 years from now the 10 percent of 1971 expenses could only be 5 percent of the 1980 expenses. Congress said that is all right. By that time the full effects of reform should have been felt. There should be a much more efficient operation in the Post Office and at that time the users of the system should be able to bear a proportionately greater part of the cost of providing public services to all of the American people.

That was the scheme. I think it is unfortunate that the Post Office has not come up here and detailed to this committee, because this committee needs to know this, precisely the numerous services that the Post Office performs for the American people that are not services that the mailers, the business users—need; but the American people need them and I think this committee should be told what they are; the committee should be told what they cost; and I think it is unfortunate and a disservice to the postal system that that case has not been documented, and I would hope that, before this hearing is through, the Post Office would meet that burden.

Mr. STEED. It might be interesting, Mr. May, to remind you, if you have forgotten, that a few years ago—I forget exactly how many—Mr. Robison made a special study for our benefit of the public services performed by the Post Office Department, and I was really amazed myself at the material that he developed. I think it is probably the most comprehensive and best treatment of the subject that I have seen anywhere. I was somewhat disappointed that legislative committees and some of the postal management took no more note of it than they did because, as you pointed out, it not only covers a lot of

very tangible and direct requirements by act of Congress in that field, but there are a great many intangibles that can be identified. I commend anybody who is interested in the subject of public service to the very fine study Mr. Robison did. He did a lot of homework and I have always felt that it was one of the best jobs on that subject that has ever come to my attention and I know of nothing even in the legislative committee hearings that approached the thoroughness of it. .

It is true that they have shifted the cost allocation basis upon which certain facts are determined. One administration says it one way and another administration decides they have a better way.

We sit here from 1 year to the next and find ourselves dealing with deficits based on different criteria, but still deficits nevertheless. We will have a problem that is going to make it quite difficult until the Rate Commission makes some decisions which finalize not only the rates, but the basis upon which rates are established, the cost account allocation system.

From that point on then, we would have very little difficulty in determining what is true revenue foregone and I think we have a pretty good handle and can keep good handle on what is the public service need. The two together are easy to confuse in the mix-up and we make a lump sum appropriation for the very definite reason that we do not want to be party to arguments that we do not think would be meaningful or helpful if we got into them.

I do not know any other way to remain out of that particular phase of it. However, I do think that it is quite helpful to us to go over their budget and to make determinations as to what part of it we think deals in the field of postal service per se and what part of it might be in the field of items that we did not feel that the general taxpayer has any part of.

We have always felt free to cut postal budgets along with anything else if we thought the facts justified it. Still I think, as we did when the impact of the pay contracts caused them to come back with their supplemental, we find no difficulty in making funds available when they are a legitimate additional cost.

We do appreciate having your help because you have been in the Department and seen it from both sides of the table and since we do have these ongoing problems and since our decisions are complicated by the fact that the Rate Commission has yet to finalize its action, we are all the more appreciative to you for sharing with us some of your views on the subject.

Mr. MAY. Mr. Chairman, I would like to make just one brief comment on the failure of the Budget Bureau to permit a request for appropriation of funds for third-class mail.

On behalf of all our association members, I applaud the action of this committee last year in refusing to be drawn into the position of appearing to fix rates; we applaud the committee's wisdom in avoiding that. At the same time, though, we cannot help but observe that the Bureau of the Budget has arrogated to itself a power and a responsibility that clearly the Congress never intended them to have.

The Congress intended that the Postal Rate Commission in the first instance should set rates. The Congress established criteria and the basis on which those rates would be set.

The Congress, furthermore, made allowance for the exceptional case when the Appropriations Committees for demonstrable reasons would

determine that, perhaps, an appropriation was not needed; but they clearly never contemplated that one man over in the Bureau of the Budget could this year decide that third-class rates, rather than being 4.2 cents, were going to be 5 cents. Next year he may decide it ought to be second-class, and the year after that it should be one of the non-profit institutions that is not entitled to being phased. Congress clearly never intended that function nor that responsibility should rest in the executive branch. It simply returns ratemaking again to the worst influences of the past.

It is ratemaking based on no testimony, on no judgments, on no economic criteria. It is simply a political decision, based on the belief that third-class mail is, perhaps, not as popular as some of the other classes, so they can get away with it.

Mr. STEED. We felt like we went further than that. There would have been no problem for us to have overridden the recommendation of the Bureau of the Budget if that had been the only factor, but we really felt that the amount of money we made available for them would have permitted them to have carried out the phase-out program and still stay within their budget because to expect them not to be able to absorb a fairly small amount in a \$10 billion budget just did not make sense.

We put this same burden on postal management for years and years and they never failed to do it and I still think they could. So I do not believe that it was the fact of this little dab of money that we did not see fit to give them, and the Bureau of the Budget also did not see fit to give them, that forced them into this position.

I think they wanted in that position for some other reason and to try to put the blame on us was something I just do not accept and I will have some further discussion with them on it this year, but the whole thing would cease to be this type of concern and this type of controversy if and when the Rate Commission acts.

Mr. MAY. It certainly will clarify everything.

Mr. STEED. That then puts a stop to this whole difficulty and hopefully, before we have to go to markup, maybe the Commission will have acted and we can then have some official basis upon which to go on.

It may be that the way they do it may not be our opinion of the best way it should be done, but at least it will be official and it will be something you can tie to because I see no way now that we can agree to anything without putting ourselves in conflict with somebody's viewpoint because every factor that is followed by the Rate Commission today is in dispute.

Mr. MAY. That is quite true.

Mr. STEED. We really need the advantage of having that settled and I think the Congress had more of a desire to get the ratemaking monkey off its back than almost any other thing connected with the Post Office Department when they passed this legislation, because you know that had been one of the bugaboos for years around here.

Mr. MAY. That is right.

Mr. STEED. I am not criticizing the Rate Commission.

I guess the first time around has been a whopping big problem for them, but still, time is running out on us, too, and we would like to see some answers because it would be very helpful to us.

However, I think that you can rest assured that whatever our decisions will be, they will be based on the fact that we have a thorough conviction that the funds available to them will permit them to see the year through in good shape.

Mr. MAY. May I express our gratitude for everything that this committee has done in the past. We are looking to you for protection.

Thank you, sir.

Mr. STEED. Mr. Robison, any questions or comments?

Mr. ROBISON. Mr. Chairman, I have no questions to put to Mr. May, an old friend of ours, but I do wish to say for the record that I appreciate the very flattering remarks you cast in my direction a few moments ago. Thank you, sir.

Mr. STEED. I think they are well-deserved and I still say that the best job on that subject that is available is the job that Mr. Robison did on public services, and I think as time goes on the value of his work will become even greater because when the Rate Commission sets the revenue foregone, the emphasis then is going to naturally shift into this other field and it is going to surprise a lot of people, I think, when they find themselves forced to dig into how little most of them know what is public service.

We find that there are claims for public service that are pretty thin and then there is some public service performed that is virtually overlooked, so it is no easy science.

Again, let me express appreciation of the subcommittee for sharing your views and recommendations and experience with us.

Mr. MAY. Thank you, sir.

Mr. STEED. We will adjourn until 10 o'clock Tuesday, May 23.

(The following statement was subsequently received by the committee:)

STATEMENT OF HON. BILL ALEXANDER, FIRST DISTRICT—ARKANSAS

Mr. Chairman, and members of the subcommittee, I appreciate your providing me with this opportunity to make a statement in regard to the request by the U.S. Postal Service for subsidy funding to run its operations. I am very much concerned about the wisdom of appropriating money for any Federal agency which is deaf to, or provides false or misleading information, to the inquiries of a Member of Congress, or to any citizen of this country, who is requesting data that should be available to every citizen of the United States. In addition, I find it of grave concern to me that the Congress may be helping finance actions which appear to be in direct violation of Federal law.

I am raising these points because of the events which make up my search for information concerning the selection of a site for the Midsouth regional bulk mail system. This study began more than a year ago. Initially, I was principally interested in the need to assure that the taxpayers received full value for their dollars and that the intent of Congress with regard to the pursuit of a balanced national growth policy be complied with.

During the months which I have spent wrestling with this matter, I developed a third and fourth concern. Is the United Postal Service violating the National Environmental Policy Act of 1969 as it seems to be? Why does the Postal Service refuse to provide a Member of Congress with honest answers to questions relevant to its multimillion dollar decisions, or, indeed, to any decisions. And, I came to the conclusion that neither the taxpayer's dollar-interest, national-growth interest, nor environmental-interest is being protected.

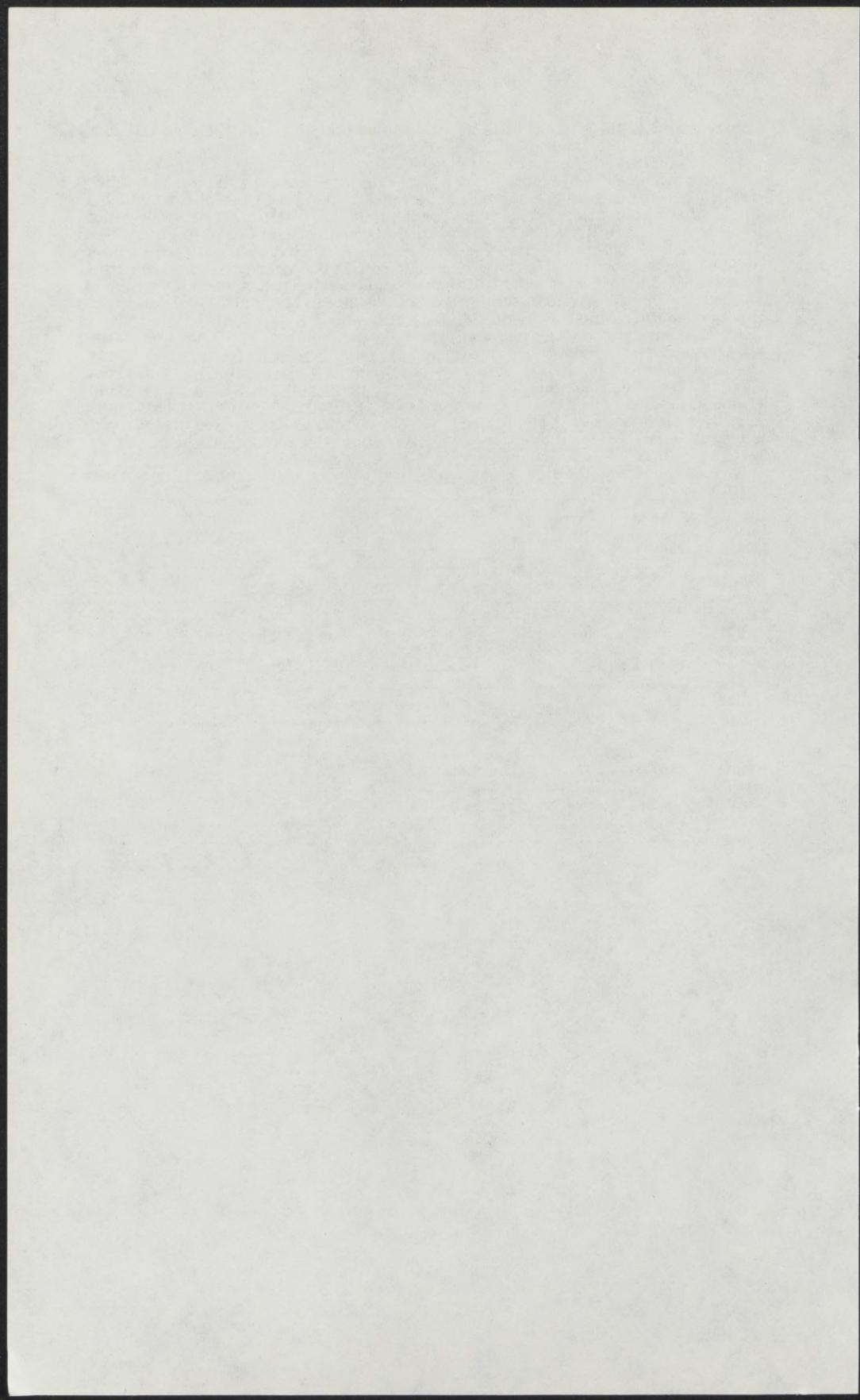
My attempts to obtain data from the Postal Service have met with reluctant cooperation, misleading or false answers and with flat refusals to provide information. We voted to abolish the Department of the Post Office and to establish a U.S. Postal Service on the theory that mail service could more efficiently, effectively, and economically be provided if the public organization doing it did so in a business-like way. But, we agreed to continue at least some financial support of the Postal Service. That agreement carries with it the explicit right of

Congress and of the citizens of this Nation to be provided with the true and complete answers to questions about the USPS's operations.

I know that the informational responsibility the USPS owes to the Congress and the people has been ignored. And, I am convinced that the Service is not acting in a fiscally reasonable manner. There are two recent examples to which I would direct your attention. It is my understanding, from information provided to me by Chairman Robert N. C. Nix of the Subcommittee on Postal Facilities and Mail, that even before the first wall had been constructed on a bulk mail center planned for Seacaucus, N.J., the project had totaled up a 109 percent cost over-run. I have been told by its officials, USPS has committed itself to spend an average of \$62,000 per acre for acquiring and preparing the site in Memphis, Tenn., on which it plans to build a Midsouth regional bulk mail center.

All Members of the Congress, and especially the members of House Committee on Appropriations, have a heavy responsibility to shepherd carefully the allocation and spending of dollars paid into our Federal Treasury by our taxpayers. Particularly at a time when most citizens are questioning the high cost of Government, every Member of the Congress has a need to redouble the vigilant guard kept over fiscal matters. I would urge the subcommittee members to carefully consider the issues which I have raised in determining the manner in which, and the level at which, the U.S. Postal Service will be subsidized.

Thank you again for this opportunity to present a statement on this serious matter.



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STATE OF NEW YORK

IN SENATE

January 15, 1908.

REPORT

OF THE

COMMISSIONERS OF THE LAND OFFICE

IN ANSWER TO A RESOLUTION PASSED BY THE SENATE

APRIL 11, 1907.

ALBANY:

ANDREW DEWEY, STATE PRINTER.

1908.

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