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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1975

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HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

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

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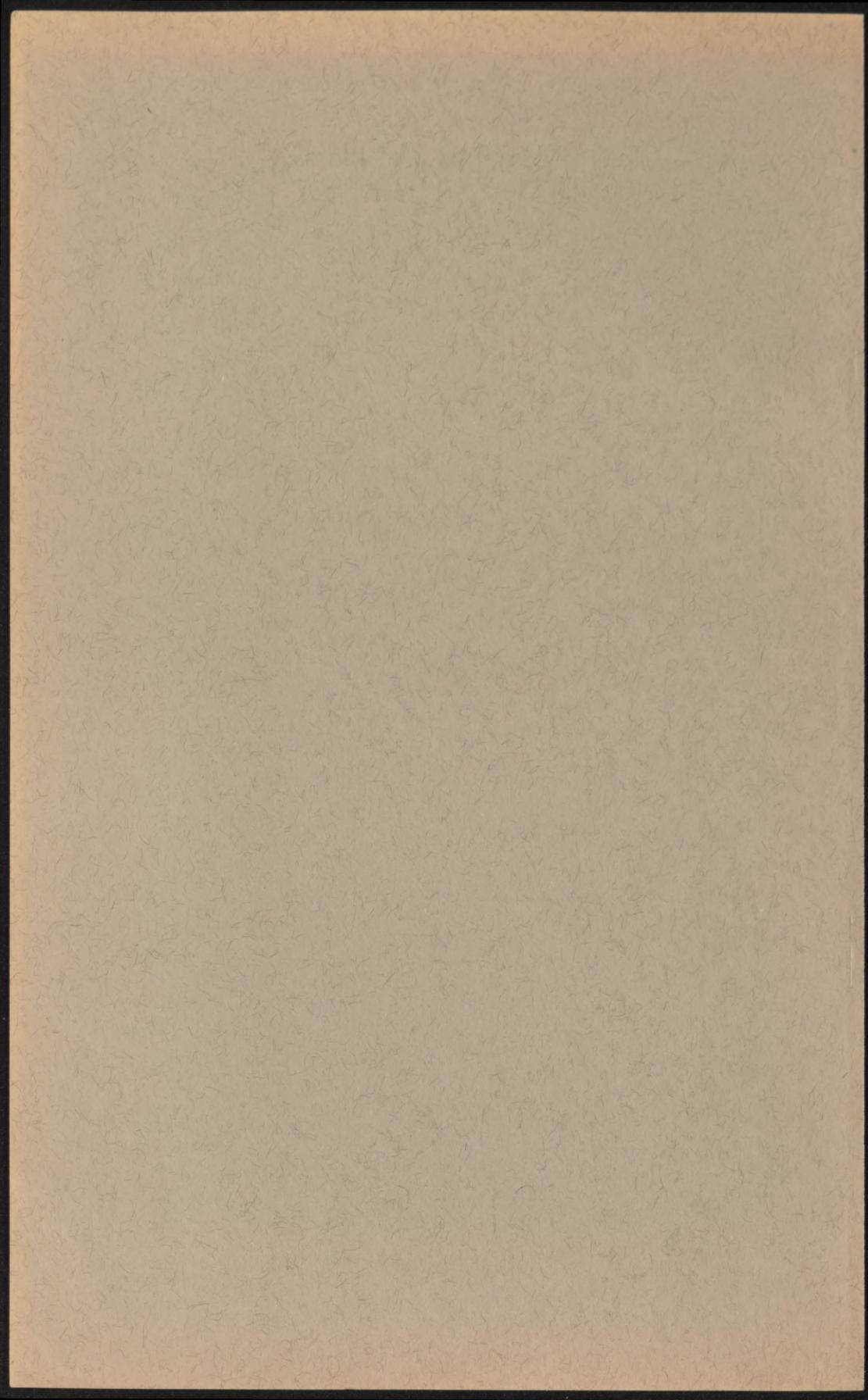
PART 2

U.S. POSTAL SERVICE

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TREASURY, POSTAL SERVICE, AND GEN-
ERAL GOVERNMENT APPROPRIATIONS
FOR FISCAL YEAR 1975

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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1975

TUESDAY, APRIL 9, 1974.

U.S. POSTAL SERVICE

WITNESSES

E. T. KLASSEN, POSTMASTER GENERAL
BENJAMIN F. BAILAR, SENIOR ASSISTANT POSTMASTER GENERAL,
ADMINISTRATION GROUP
DARRELL F. BROWN, SENIOR ASSISTANT POSTMASTER GENERAL,
EMPLOYEE AND LABOR RELATIONS GROUP
EDWARD V. DORSEY, SENIOR ASSISTANT POSTMASTER GENERAL,
OPERATIONS GROUP
RALPH W. NICHOLSON, SENIOR ASSISTANT POSTMASTER GENERAL,
FINANCE GROUP
LOUIS A. COX, GENERAL COUNSEL

Mr. STEED. The committee will be in order.

The committee is in session today to take up the 1975 budget request of the U.S. Postal Service.

The appropriation for fiscal year 1974 was \$1.478 billion. The program supplemental pending is \$236,018,000, making a total for fiscal year 1974 of \$1,714,018,000. The budget estimate for fiscal year 1975 is \$1,552,607,000, a decrease from 1974 of \$161,411,000.

We are very pleased to have the Postmaster General, General Klassen, and his staff here.

General, if you would like to identify your associates for the record, we will be pleased to have whatever statement you would like to make.

[General Klassen's prepared statement follows:]

STATEMENT OF POSTMASTER GENERAL E. T. KLASSEN

Mr. Chairman and members of the subcommittee, we are pleased to be here to testify today on our budget request for fiscal year 1975.

The Postal Service has a mandate to provide the best possible postal service to the American public at prices that are fair and reasonable. Since beginning operations, I believe we have made progress both in improving service and containing our costs of operation.

Last spring when I appeared before this committee, we were just beginning to recover from a poor service performance during the Christmas season that extended far beyond the normal recovery period typically experienced by the Postal Service in previous years.

Because of the excellent public response to our "mail early" campaign and because of the exceptional efforts of Postal Service management, our thousands of managers, and our thousands and thousands of frontline employees, I am gratified to be able to advise you that the 1973 Christmas operation and service

performance was the most successful in postal history. This achievement is a tribute to our dedicated postal people and it was achieved as we were beginning to feel the impact in a number of ways of the "energy" crunch. Last fall we challenged ourselves to provide the best possible service we could to the American people during this past Christmas season. Letters from the general public and business indicate that our service has improved considerably and was excellent during Christmas. Our post offices were free of mail by Christmas Eve and our most experienced postal people say it was the best Christmas performance they could remember.

FIRST-CLASS-MAIL-SERVICE PERFORMANCE

The service performance of local overnight first-class mail over the past Christmas period, December 8, 1973, to January 4, 1974, was 82 percent, a substantial improvement over the previous Christmas period when performance measured 67 percent. This significant improvement in performance must be coupled with a major management decision last year to expand our areas served with local overnight delivery. A numerical comparison of 1973 versus 1972 will not, therefore, indicate the quality of improvement that we have made in service due to expansion of local overnight service areas. For example, in 1972 Baltimore had its overnight area limited to Baltimore County; in 1973 the overnight area was all of Maryland; Washington, D.C.; and northern Virginia. The latest overnight report covering the 2-week period ending March 29, 1974, indicates a continuing high level of service performance, showing 95 percent delivery achievement.

Second- and third-day delivery standards for first-class mail have been implemented during the past year and our performance levels reached 90 percent in late 1973.

ENERGY

The fuel shortage has caused no severe interruptions to date in our mail service despite some rather difficult local service supply situations.

At times, we have been confronted with a lack of adequate gasoline and diesel supplies for many of our vehicle maintenance facility tanks. The major problem has been obtaining sufficient fuel from retail outlets for that part of our fleet that does not have access to our own supplies.

We anticipate that our fuel situation will become more acute unless the flow of oil from the Middle East is restored on a continuing basis, and we are taking steps to see that fuel requirements are planned well in advance to preclude any disruption to service. We also recognize that, in spite of our energy conservation programs, some of which were introduced during the summer of 1973, our energy costs will increase substantially. We have set a goal to reduce our overall energy use by 10 percent during 1974.

The "energy" crunch and the resulting price increases for fuel will have a substantial upward impact on USPS transportation costs.

Transportation fuel costs for postal vehicle service, contract highway service, and air taxi service will increase by \$3.5 million per year for each 1 cent increase per gallon. In the area of other transportation services, both rail costs and international shipping costs will increase in fiscal years 1974 and 1975, because of fuel cost increases. Air transportation costs will be increased at least 7 percent. We project the impact of these fuel cost increases to be \$35 million in fiscal year 1974 and \$120 million in fiscal year 1975.

Fuel costs for heating postal facilities will increase by \$2.9 million per year for each 1 cent increase per gallon. Our program to reduce consumption by 10 percent will produce some savings—but will not offset the significant increases we have experienced and foresee. Price increases since September of 1973 are on the order of 10 cents per gallon and are still going up. Costs for natural gas and electricity are also rising faster than our offsetting conservation actions.

If we combine the impact of increases in fuel for transportation and fuel for heating, each 1 cent per gallon rise adds \$6.4 million to our cost.

We are trying to do something about energy utilization because we are large users of many forms of energy. The Postal Service plans to test the use of electric vehicles (350) as they seem ideal for many short, level delivery routes. Electric vehicles will provide quiet, pollution-free operation, and maintenance and operations costs are projected to be lower than gasoline-powered vehicles.

If the "energy" crunch continues, and, particularly, if it worsens, it will be difficult to maintain our service level performance objectives. Air lines have eliminated 1,500 flights a day. Further air transportation schedule reductions will impact adversely on movement of mail and airmail delivery. The diversion of some long-haul highway mail service to rail will generally result in one or more day's delay from current standards.

AIR TRANSPORTATION

Significant developments occurred in air transportation during 1973 and these developments had both positive and negative impacts upon the Postal Service.

As to the positive side, we initiated an extensive program on March 28, 1973, to utilize containers in the movement of the mails. The program has grown substantially since then and our goal is to move 50 percent of the mail in containers by the end of fiscal year 1975. Containerized mail moves and will move at a lower cost than mail in sacks. Because containerized mail is provided better protection than sacked mail, it is more machinable. Thus, it is processed faster and reduces our handling costs.

During 1973, we made arrangements to introduce a single rate for all sack mail to replace the existing rates for priority and nonpriority mail in sacks. All sack mail under the single rate now moves on a priority basis.

As to the less positive aspects of air transportation, the further decline in the number of scheduled flights which are of primary value to mail service—flights between 8 p.m. and 6 a.m.—has had and will continue to have a negative impact on our service achievements. To counteract the decline in flights of value, we have substituted air taxi services wherever possible in order to maintain delivery standards. This is possible only in very selected areas and is more expensive to the USPS than using certificated air carriers. In addition, airline mishandling, erroneous dispatches, and a number of failures to protect the mail resulted in air carriers assessments of over \$1 million in penalties in fiscal year 1973, an increase of 33 percent in assessment value over fiscal year 1972.

MANAGEMENT PROCESS

Last year, I mentioned to you that we had begun a dialog with our field managers. The objective was to improve our service, to improve postal operations, and to control costs. We have continued these meetings during 1973 and have succeeded in getting our decisionmaking closer to our operating needs. Although we still have much to do, we have made significant progress in improving morale, building management strength, and providing leadership. Our team is starting to pull together and it is beginning to act responsibly toward our service performance and cost objectives.

In a complex operation of the size and scope of the Postal Service, this dialog is essential if we are to succeed. We cannot do our job unless our managers work together. I am committed to continuing this dialog because the payoff is in a better mail service.

The Postal Service concluded its second 2-year collective bargaining agreement with the postal unions without disruption to service during the early summer of 1973. This agreement covers the period from July 21, 1973, to July 20, 1975. Our proposed labor contract was reviewed with the Cost of Living Council, which found our wages and benefit increases not inconsistent with its guidelines.

The agreement provides for a first-year pay increase of \$700 effective July 21, 1973, and a \$400 increase effective July 21, 1974. Four possible cost-of-living pay adjustments are provided during the 2-year period. In addition, the Postal Service will increase its share of the premium payments for health and medical insurance and in the second year of the contract will pay the entire premium for basic life insurance. Similar benefits were generally accorded to those postal employees who are not members of bargaining units.

Another important change in this bargaining agreement was the adoption of a new grievance procedure which promises to settle a larger proportion of grievances at earlier stages and in an open and cooperative manner. Upon conclusion of the national agreement, our labor relations management conducted extensive briefings for our field managers on the contents of the new contract, its meaning and interpretation, and its administration.

RATE AND CLASSIFICATION REQUESTS

The Service filed its second request for a change in rates on September 25, 1973. With the successful negotiation of a new collective bargaining agreement, our financial projections indicated that the Service would incur operating losses of \$1.3 billion and \$1.9 billion in fiscal 1974 and 1975, respectively, at current rate levels.

At the time of the filing, we announced our intention to implement temporary rates on January 5, 1974, in accordance with the provisions of the Postal Reorganization Act, should the Postal Rate Commission not transmit a recommended decision within 90 days of the filing. The Service's proposals and the timetable for implementation of temporary rates were estimated to result in reducing the fiscal 1974 operating loss from \$1.3 billion to \$352 million. The projected fiscal 1975 operating loss would have been reduced from \$1.9 billion to virtually a break-even level.

On October 19, 1973, the Service advised the Cost of Living Council of its intention to exercise its temporary rate authority on January 5, 1974. The Cost of Living Council determined that it should hold public hearings and requested the Service to furnish various supporting data for the intended rate increases.

After public hearings on November 14 and 15, the Cost of Living Council announced on December 21, 1973, that the estimated total revenues generated during calendar year 1974 should be modified downward, and advised the Service that an 8-week delay in implementation of temporary rates would satisfy the Council's pricing guidelines. The Council thereby required that the Postal Service forego \$236 million of postal revenue that it planned to receive through higher rates. As a consequence of the Cost of Living Council's action, the Service announced that it would delay the rate increases from January 5, 1974, until March 2, 1974. The Postal Service has requested that the \$236 million revenue shortfall be financed as an additional supplemental appropriation for fiscal 1974 in order that its financial condition not be impaired further.

The Postal Rate Commission now has two cases pending: A classification case (filed Jan. 19, 1973) and a rate case (filed Sept. 25, 1973). There are more than 40 intervenors, representing a broad cross-section of all of our customers, in each of these proceedings. No problems exist between the Postal Service and the Rate Commission that call for intervention by the Congress. I think it is right, however, for the Congress to continue its oversight activities involving the entire postal ratemaking machinery.

I am concerned over the length of these proceedings. The burden placed on all parties and on the Postal Service in particular, is immense and costly. I hope both of these concerns will diminish as we move ahead from our first two landmark cases in which basic questions of law, procedure, and jurisdiction will be debated and resolved.

CAPITAL INVESTMENT

At the direction of the Office of Management and Budget, the responsibility for execution of all regional and minor facility work was returned from the Army Corps of Engineers to the Postal Service on July 1, 1973. Major facility work has been gradually transferred back to the Postal Service and will be completely assumed by us on July 1, 1974, with the exception of the 21 major facilities in the bulk mail system.

We have decentralized our real estate and buildings program to the regions with appropriate guidelines, have provided regional and headquarters complement for this vital function, and have contracted for expert management and administrative services to keep our construction program at a high level.

I would like to comment on the status of our facilities construction program. We have 41 major projects either in design or under construction with a value totalling \$376 million. We expect to complete 15 new or improved major facility projects this year, compared to 11 last year. These are large general mail facilities which process millions of mail pieces daily. We also have hundreds of small projects underway by our field organizations involving offices up to 50,000 square feet in size, and a broad-scale effort by local management to upgrade the working environment of our facilities for our employees.

The 1975 budget shows approximately \$856 million for postal facilities, 59 percent over 1974. Our capital investment requirements are large as we must work off an accumulated backlog of projects. The large backlog reflects two things: the Corps of Engineers phaseout and years of neglect to our physical plant.

H.R. 29—UNFUNDED LIABILITY OF THE CIVIL SERVICE RETIREMENT AND DISABILITY FUND

I am happy to report to the committee that the Postal Service, the Civil Service Commission, and the Office of Management and Budget have arrived at a compromise, which is reflected in the President's budget, on the difficult question of financial responsibility for the unfunded liability of the Civil Service Retirement and Disability Fund resulting from postal pay increases since July 1971.

H.R. 29, as it passed the House on May 7, 1973, was intended to relieve the Postal Service of all unfunded liability payments flowing from our first collective bargaining agreement of July 20, 1971, but was to make us responsible for any unfunded liability flowing from collective bargaining agreements after June 30, 1973. In July 1973, our second collective bargaining agreement was signed. As a result, if H.R. 29 were to be enacted now, in its present form, without a retroactive effective date provision, it would relieve us of the responsibility for making unfunded liability payments flowing from both the first and second collective bargaining agreements, which would be contrary to the expressed intention of the House.

Under our compromise agreement, which would be equitable both to postal ratepayers and the public, the Postal Service will be responsible for all unfunded liabilities resulting from the first and second collective bargaining agreements and future agreements, except that the Service would not be required to pay the first three annual installments attributable to the first collective bargaining agreement, amounting to about \$285 million, until funds are appropriated to the Postal Service for that purpose.

SECURITY

Beginning in January 1971, the Postal Service took new formal steps to inaugurate a multifaceted security program aimed at upgrading protection afforded the mails, postal property, and employees. During the ensuing 3 years, significant progress has been made toward achievement of the desired level of security. The inspection service devotes two-thirds of its resources to the detection and prevention of postal crimes and prosecution of offenders. Improved camera and alarm installations and radio equipped enforcement vehicles are being used to upgrade our security effort.

FINANCIAL STATUS

Before turning to our appropriation request for fiscal year 1975, I would like briefly to review our financial status.

The Postal Service has not yet managed to "break even." In its first fiscal year (fiscal year 1972), we lost \$175 million. Last year, we lost \$13 million. This year, our estimated operating loss is slightly under \$400 million, assuming that our supplemental request for \$236 million to offset the postponement of temporary rates is approved. Failure of our supplemental request would increase our operating loss to over \$600 million this year.

Continued operating losses cannot be sustained if a financially sound Postal Service is to continue in business. Our working capital has been seriously reduced at the same time our operating cash needs continue to rise. In July, our payroll (including benefits) will approach \$400 million every two weeks.

Although practical realities may require us to move contrary to our convictions, we do not believe that borrowing to finance operating needs is good business practice. Nor do we think that a reduction in service is a palatable alternative. We will do everything we can to keep our costs as low as possible without degrading service, but I believe the user must ultimately pay for the service he wants.

1975 APPROPRIATIONS REQUEST

I would like to summarize our request for fiscal year 1975 appropriations. For 1975, we are requesting payments totaling \$1,552,607,000. Our request consists of three major items:

Public service-----	\$920,000,000
Revenue forgone on free and reduced-rate mail-----	571,456,000
Transitional expenses-----	61,151,000

Public service: Appropriations were authorized by Congress in the Postal Reorganization Act to provide for "a maximum degree of effective and regular postal services nationwide, in communities where post offices may not be deemed self-sustaining, as elsewhere. * * *" The act established the public service reimbursement as an amount equal to 10 percent of the actual appropriation for 1971. The amount requested is therefore \$920 million, which is 10 percent of the 1971 total.

The statement of compliance with public service policy required by 39 U.S.C. 2401 (b) is attached to my statement.

Revenue forgone: This appropriation item is that revenue given up or forgone by the Postal Service as a result of providing mail service to newspaper and magazine publishers; shippers of books, records, and other special fourth-class mail; and certain nonprofit organizations at a reduced rate. This revenue loss, which is the difference between the reduced rate and the full rate, is to be made up to the Postal Service by an annual appropriation of Congress, as specified in the Postal Reorganization Act. Our request for this item is \$571,456,000.

Our revenue forgone appropriation request does not include funds for regular rate third-class mail. As in fiscal years 1972, 1973, and 1974, the President has declined this year to transmit to the Congress our request for revenue forgone funds for this purpose. The record of the 3 previous years clearly indicates the position of the President and the Congress on this matter. Our request reflects this established position as a practical fact of life although we continue to believe phasing of this class of mail is authorized and we would phase the rate increases if funds were appropriated for that purpose. (The additional amount that would be required is \$256.7 million.)

Transitional expenses: The amount of \$61,151,000 is requested for this item to cover unfunded liabilities of the former Post Office Department. The liabilities include amounts due the Employees' Compensation Fund in 1975 for injuries to postal employees which occurred prior to July 1, 1971, and one-twelfth of the earned and unused annual leave balance due postal employees on June 30, 1971.

We have estimated a mail volume increase in 1975 of 0.6 percent, or 526 million pieces. Based on anticipated permanent rates and this relatively small volume increase, our financial projection for fiscal year 1975 indicates a virtual breakeven position. Total revenues and appropriations will be \$11.993 billion. Slightly lower costs of \$11.949 billion will produce a small contingency fund of \$44 million.

We urge you to provide the full amount of our appropriation request.

Mr. Chairman, this completes my prepared statement. We would be most happy to respond to any questions which you or your colleagues may have for us.

Thank you.

 U.S. POSTAL SERVICE COMPLIANCE STATEMENT

The Postal Service is requesting that \$920 million be appropriated for fiscal year 1975 under 39 U.S.C. 2401(b). Subsection 2401(b)(3) provides that the Postal Service, in requesting appropriations for public service costs, "shall present . . . a comprehensive statement of its compliance with the public service cost policy established under section 101(b) of this title." Section 101(b) states 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

	1973 actual	1974 estimate	1975 estimate
1st class.....	5,254	5,254	5,254
2d class.....	7,495	7,495	7,495
3d class.....	12,254	12,254	12,254
4th class.....	6,382	6,000	5,632
Total.....	31,385	31,003	30,635
Classified stations and branches.....	3,939	3,939	3,939
Rural families served (millions).....	11.5	11.6	12.0
Rural routes as of June 30.....	30,674	30,367	30,269

CLOSING AND CONVERSION OF POST OFFICES

On August 1, 1973, we issued criteria for the discontinuance, conversion, or consolidation of post offices.

Discontinuance of post offices

The outright discontinuance of a post office will be considered when (a) a community has been abandoned, or (b) a vacancy exists in the position of postmaster, service to be provided will be as good as or better than the service being received, and one or more of the following conditions exists:

- (1) No suitable person can be found in the community to permanently take charge of the post office.
- (2) No suitable quarters can be found in the community for housing the post office.
- (3) Fewer than 25 families are being served by the post office.
- (4) Another post office or 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), which is easily accessible to the customers affected and will provide service equal to or better than that being received.

In applying the above criteria for discontinuing or otherwise changing the status of independent post offices, management considers 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. Management will not approve the closing of small post offices solely for economic reasons.

Conversion to community post offices (CPO's)

When it is determined that discontinuance of a post office is warranted, every effort will first be made to establish a community post office by contract. (This requirement is not necessary where the community has been abandoned). The following procedures are followed before a final decision is made:

- (1) Notices soliciting offers for the operation of a CPO will be posted conspicuously in the post office for a minimum of 10 days.
- (2) Businesses in the immediate area will be contacted directly by a postal representative in order to ascertain interest in operating a CPO.

In addition to the above, every effort should be made to extend delivery service to qualified area residents. (The limitation for not extending rural service within one-quarter mile of a post office is not applicable to CPO's).

Consolidation of post offices

The consolidation of post offices, where a classified or contract unit is established in lieu of a post office, will be considered when a postmaster vacancy exist, by reason of death, resignation, retirement, reassignment, or promotion to another position title in the USPS as nearly commensurate with his qualifications

as possible; service to be provided will be as good as or better than the service being received; and one or more of the following conditions exists:

- (1) Two or more independent post offices are located within the corporate limits of an incorporated city or town.
- (2) The communities served by two or more independent post offices are being merged in order to become an incorporated city or town.
- (3) A majority of the customers have requested a change in status of the post office, either to obtain a change in mailing address or to obtain rural or city delivery service.
- (4) The post office(s) to be consolidated is(are) located less than 20 miles from the corporate limits of the office with which it is to be merged.
- (5) The consolidation is necessary in order to establish or extend delivery service from another post office.

CONCLUSION

Plans for the current and upcoming fiscal year call for maintaining and improving services available to all of our customers—whether in urban centers, rural areas, or small communities.

Mr. KLASSEN. Mr. Chairman, first, on behalf of my members of management here, I want to thank the committee for the opportunity of presenting our point of view today.

If you concur, I would suggest as each man is called upon, he identify himself for the record, because we have quite an assembly of top management people.

We have submitted a fairly comprehensive prepared statement which I do not intend to read this morning, but there are a few high-lights I would like to touch on.

SERVICE IMPROVEMENT

First of all, I will deal briefly with the matter of service. We experienced, as you all know, a real bad year in 1972, during the Christmas holiday season in particular. I think Christmas 1973 can be recorded as the best performance in postal history.

I realize everybody judges us by what we do following the Christmas period. I think what we are doing today is fulfilling the commitment we made on standards of performance. We will never be satisfied with the standards we have developed nor with our performance. We do think on the whole, however, it is much better than it has been in the past.

Each of the subjects I will deal with, very hurriedly, I am sure you will have questions on. I know you are aware that the men here in the audience in postal management are equipped to answer them.

ENERGY CRISES

I will deal briefly with the question of energy. You are all aware that we are perhaps one of the largest users of energy in the country. We also have developed what we consider to be a very comprehensive plan for saving energy. So far, in spite of the problems we have encountered, we have operated without any serious interruption to service.

We do not have a problem with diesel fuel today. Maybe that is a result of the trucker strike which we had last January. The FEO gave them 100 percent of their requirements and gave us 100 percent of our

requirements. We are badly in need of a priority for gasoline. The 200-odd thousand vehicles we run use better than 350 million gallons of that kind of fuel a year. For us to have to keep struggling and spend the amount of energy and time that we do in getting the fuel that we need seems a little unnecessary.

We have some 80-odd people throughout the organization whose sole and primary responsibility is to help make sure that our vehicles are fueled up in order to operate.

EMULSIFIED GASOLINE EXPERIMENTS

You are aware that at the University of Oklahoma we have some research going on for an emulsified gasoline mixture with water. I hope that works.

ELECTRIC VEHICLES

You also are aware that we are experimenting with electric vehicles. Of course, these experiments are on a small scale at this point. If the results of those experiments are worthwhile, we of course will want to enlarge upon our electrical fleet.

FUEL COSTS

I might mention to you that because of fuel and other energy problems our cost for fiscal year 1974 will be \$49 million higher than we had budgeted. As we look into the future, for 1975 we expect to add \$150 million to our costs.

ACTION OF COST OF LIVING COUNCIL

Another point I wanted to comment on is the action taken by the the Cost of Living Council. I am sure this has been said so many times it is old hat to everybody. In June of last year, we went to the Cost of Living Council and outlined for them the future as we saw it with respect both to our pending labor negotiations, and also the pricing structure of the service. We pointed out to them then it had been more than 2 years since we had asked for a price increase in postage, and with the increasing costs that we saw coming, and particularly labor—labor being 85 percent of our total cost—there was no choice except for us to ask for a price increase.

We reported then that the price increase we recommended would have a proposed effective date of January 5, 1974. For reasons, as far as I am concerned, probably best known to them, they chose to defer the effective date of the increase for a period long enough to take away \$236 million of our revenue.

There are several things about that which gave us real concern. Someone has to pay the bill, either the mail user or the taxpayer. They chose to funnel this to the taxpayer. We tried to point out that if they approved the wage agreement, then they had dealt with the problem of inflation, but if they approved that wage agreement, they should then approve the price increase. Don't approve one without the other.

I think it goes beyond that. This sort of meddling, this sort of interference, actually was a contradiction of the legislation we are operating under today when we are trying to make the Postal Service stand on its own two feet. I think the Reorganization Act itself made clear what our instructions were for the future.

NEED FOR SUPPLEMENTAL

On the \$236 million revenue that we need, we need this badly. As we will develop later on in our testimony, that is money somebody has to provide. We are hoping that this committee will help us to make sure we get this through the Congress.

Mr. STEED. On that point, you are saying if the money is not forthcoming from one source or the other, then your next recourse would be to dispense with services?

CUT IN DELIVERY SERVICES

Mr. KLASSEN. That is correct. It has been said that we are about to cut out Saturday service. You cannot make this kind of comment without somebody misconstruing it that the Postal Service is going to cut out Saturday service. We have no such intention. If we were to, it would save \$250 million. We are not proposing to do this. Quite the contrary, we do not want to cut out the service. We want to improve our service.

We added delivery service to some 2 million more families last year which cost us \$100 million. We have little choice about that, we have to serve them. We have to have the revenue.

APPROPRIATION REQUEST

Turning to the appropriation request for 1975, as you have already reported, we are requesting \$1.553 billion. The prepared statement summarizes that quite well. Of course, my associates here will add more detail to it.

MAIL VOLUME INCREASE

As for the operation for next year, we see a relatively small increase in volume of six-tenths of 1 percent, total revenue of just under \$12 billion, total expense a little less than that, net we estimate to be \$44 million. In other words, we look forward to almost a break-even budget.

Mr. Chairman, that completes my opening remarks. I thought we would save time for the questions that are on your minds and which I think we are prepared to answer.

TOTAL BUDGET REQUEST

Mr. STEED. To put it in perspective, General, what will be the total budget you are talking about, this amount requested plus funds from other sources making up your total budget?

Mr. NICHOLSON. Mr. Steed, the total revenue that we look for in 1975 is \$11.993 billion. Our total operating expenses—

Mr. STEED. Does this include the amount requested here, or will that be in addition?

Mr. NICHOLSON. No, sir, that is not in addition. That includes the amount we are requesting here.

Mr. STEED. In other words, almost \$12 billion, in round numbers.

Mr. NICHOLSON. Yes.

The expenses will be \$11.949 billion, leaving net income of \$44 million.

LOSS ON OPERATIONS

Mr. STEED. Does this cover any makeup from prior years of borrowed money or other deficits from prior years?

Mr. NICHOLSON. No; it does not.

Mr. BAILAR. You know, I am sure, that we lost \$175 million in the first year of operations. In the second year of operations, we lost \$13 million. In the current year, if we get the supplemental appropriation which has been requested, we expect to lose about \$400 million. So, we will have a cumulative deficit on the order of \$600 million. The \$44 million is the most modest beginning to get the book value back to where it was when the Postal Service started operations.

[The following information was subsequently furnished by the Postal Service:]

The Postal Reorganization Act (39 U.S.C. § 3621) requires that postal rates and fees shall provide sufficient revenues so that the total estimated income and appropriations to the Postal Service will equal as nearly as practicable the total estimated costs of the Postal Service. Especially in an inflationary economy, it may be impractical to maintain shortrun equilibrium between total income and total costs—witness our experience from fiscal year 1972 to date—particularly in view of the “regulatory lag” that goes with the ratemaking procedures which we must follow under the act. We view the act as requiring equilibrium in the longrun, with losses in some years being offset by surpluses in other years. We intend to satisfy this requirement over the longrun, gradually reducing accumulated deficits so that longrun equilibrium is attained.

CONTINUING DEFICITS

Mr. ROBISON. Mr. Bailar, what would the Service project as its future way of handling those accumulated deficits? What do you see down the road with regard to them?

Mr. BAILAR. I think at some point the accumulated deficits will imperil the ability of the Postal Service to function. It is because of that that we have asked for the supplemental appropriation to keep the 1974 loss down to \$400 million.

Mr. ROBISON. If there is a continuing deficit picture in the years ahead, will you eventually think it necessary to try to pick up that deficit through further rate increases?

Mr. BAILAR. I think what we are looking to do is to break even, either to control the future costs or rate increases so the book value of the Postal Service is not deteriorating to the point that we cannot function.

Mr. ROBISON. I know, but even though you are going to operate as a business, you do not want to make a profit. We do not intend you to make a profit. Congress certainly did not intend that. There was the hope that eventually you would reach a break-even or self-

sufficient point. Sometime you will have to try to pick up those deficits. You cannot carry them on for years.

I suppose you are paying interest on them, are you not? No? This is just an internal loss?

The deficit of the Postal Service beginning with the first year of operations after the Postal Reorganization Act of 1970, Public Law 91-375 is as follows:

Postal Service deficit, fiscal years 1972-75

Fiscal year:	[Dollars in thousands]	Amount
1972 actual-----		(175, 435)
1973 actual-----		(12, 964)
1974 estimate-----		(385, 048)
1975 estimate-----		44, 145
Total deficit-----		(529, 302)

Mr. KLASSEN. If our costs continue to rise, you must understand we are caught in the same kind of squeeze as any other organization. If costs continue to rise, someone will have to pay the bill, either the taxpayer or the mail user. If it is the mail user, it means he will pay more in postage.

COST OF LABOR

As we mentioned several times, 85 percent of our costs are wage-related costs. If anybody can help us decide what the future of the economy might be and what happens to our labor negotiations, we of course could be more explicit on what the future situation might be.

Mr. ROBISON. To continue a moment, under the last labor agreement which you reached as a result of negotiations, as I understand your prepared statement there can be four cost-of-living increases during the contract period. Have you reached one of those yet?

COST-OF-LIVING ALLOWANCE

Mr. BROWN. Yes; we have. Based upon the cost of living as it is projected for the balance of this fiscal year, that would indicate a total of 25 cents per hour for fiscal year 1974.

Mr. ROBISON. If you spread that across the whole operation, how much is that on an annualized basis, in round figures?

Mr. NICHOLSON. I will get the specific figure.

[The information follows:]

The annualized cost of the May 1974 cost-of-living adjustment is estimated to be \$356.2 million. \$41.1 million of that would be charged to fiscal year 1974 and the carryover to fiscal year 1975 would be \$315.1 million. In addition to the \$41.1 million cost-of-living adjustment costs attributable to the May 1974 adjustment, there will be \$50 million charged to fiscal year 1974 to the November 1973 cost-of-living adjustment.

Mr. ROBISON. Thank you, Mr. Chairman.

Mr. STEED. General, in your submission there is a very voluminous justification for the budget request, but not very much in the justifications for some of the funds requested.

PUBLIC SERVICE COSTS

As I read it, you are seeking money under three broad classifications. The first is the \$920 million for public service costs provided for in the Corporate Act, which is, I believe, 10 percent of the 1971 budget.

Mr. KLASSEN. Yes, sir.

REVENUE FORGONE

Mr. STEED. Then you have an item of \$571,456,000 for free and reduced mail. That would be revenue forgone, as we refer to it?

Mr. KLASSEN. Yes, sir.

NONFUNDED LIABILITIES

Mr. STEED. Then you have an item of \$61,151,000 for previous non-funded liabilities of the department. Could you give us some more information on what you mean by previous nonfunded liabilities?

Mr. NICHOLSON. There are two items there. One is workmen's compensation for injuries incurred by Post Office Department employees. That is, the events took place prior to reorganization, but the costs associated with those events are still going on. That is approximately \$30.151 million of the amount.

The second item is the payment for leave earned but not used, earned during the period of Post Office Department employment. The employees are still on the payroll, but they have not used that leave. The cost of funding that unused leave is spread over a 12-year period. That is \$31 million for this installment in 1975.

So, the total of those two items is \$61,151,000.

Mr. STEED. Have you made a calculation as to what the total obligations will be during the lifetime of these two items?

Mr. NICHOLSON. We cannot estimate what the cost of workmen's compensation will be because we do not know the duration of the injuries or when the recovery will have been complete.

COST OF UNUSED LEAVE

In the case of the leave earned but not used, yes, we do have a number—\$372 million. That is a fixed amount. That was the amount of leave earned but not used at the date of reorganization.

Mr. STEED. For my own information, let us say I earned \$100 worth of leave when I was making \$2 an hour, and I do not take that for 10 years, but now I am making \$3 an hour. Do I get paid at the rate I was earning when I accumulated the leave, or do I get paid at the rate when I take the leave?

Mr. NICHOLSON. You get paid at the rate when you take the leave.

Mr. STEED. So, pay increases we undergo from time to time in employee negotiations have an impact on this item, too.

Mr. NICHOLSON. Yes; they do. We now accrue leave as it is earned as an expense in the current period. The unused leave on the books becomes more expensive when the individual gets a pay increase or

when there are general pay increases, and we increase the accrual for that purpose.

Mr. STEED. You made reference to the fact that about 85 percent of your total costs of operation is in wages. How many people do you have on board right now?

POSTAL EMPLOYMENT

Mr. NICHOLSON. There are about 710,000 people currently employed. At the end of the fiscal year, we estimate 674,000 employees.

Mr. STEED. What was the peak of total employment that you could compare this to? As I understand it, you have been reducing the number of people while the number of mail items and the number of drops have gone up. Can you give us figures on those?

Mr. NICHOLSON. Yes. The peak in terms of numbers of positions was in 1970, when the positions totaled 741,216; but I think it more significant and meaningful for purposes of comparability to talk in terms of man-years, because the number of temporary employees and the number of positions shift, even though the actual work-hours may behave in a different way. The peak also was 1970 in terms of man-years of employment. That was 725,913.

Man-years estimated for the end of 1974 are 685,423, a difference of just about 40,000 man-years of employment.

For the end of 1975, we see some decline in the total number of man-years, down to 672,737, which is a decline of about 13,000 man-years.

Mr. Steed, if I could carry on just a minute on this line, because I think it is quite impressive. Between year end 1975 versus the high water mark of 1970, there is a reduction of just about 53,176 man-years; whereas in the same time the number of pieces of mail has increased by 6.365 billion to a new total of 91.2 billion pieces for 1975.

INCREASE IN NUMBER OF DELIVERIES

Mr. STEED. Do you have the number of drops that were served in 1970 compared to what you are serving today?

Mr. NICHOLSON. We could supply that for the record, but they have been increasing between 1 and 2 million a year.

Mr. STEED. That is my understanding.

Mr. NICHOLSON. In that 5-year period, it could be some 10 million additional families and businesses being served.

NUMBER OF POST OFFICES AND ROUTES

Mr. STEED. When you supply that for the record, you might also include the number of offices in 1970 as compared to the number now, plus the number of rural and city routes. I think this will also give us a better picture of what you are doing.

[The information follows:]

	June 26, 1970	June 25, 1971	June 23, 1972	June 22, 1973
City delivery routes:				
Routes.....	130,387	132,923	135,262	136,449
Possible deliveries.....	55,857,085	56,984,566	58,404,204	59,985,628
Rural routes:				
Routes.....	31,346	31,517	31,113	30,849
Possible deliveries.....	9,922,240	10,285,541	10,699,990	10,892,257

NUMBER OF POST OFFICES (BY CLASSES)

Post Offices	As of June 30—				
	1970	1971	1972	1973	April 9, 1974
1st class.....	4,977	5,162	5,192	5,254	5,245
2d class.....	7,331	7,396	7,436	7,495	7,475
3d class.....	12,641	12,551	12,468	12,254	12,209
4th class.....	7,053	6,838	6,590	6,382	6,183
Total.....	32,002	31,947	31,686	31,385	31,112

OPERATING IMPROVEMENTS

Mr. NICHOLSON. There is another point I would like to make. Forgive me for forcing this.

I was looking at that comparison just the other day. With an actual reduction of man-years of employment, with an increase in mail volume, if we were to have needed the number of people in 1975 according to the productive rate in 1970, our 1975 budget would have to be just about \$1.5 billion more than the amount we are planning. That is about 10 percent more than we are planning.

What I am saying is that in the intervening years since 1970, the operation has improved substantially, maintained the service, today having really one of the best service performances in the history of the Postal Service, and at the same time doing it at a cost of \$1.5 billion less than would have been the cost had the 1970 productive rates applied.

Mr. ADDABBO. Is part of this due to the fact that you are going into automation, and can you relate these costs to a particular saving? Over the years in this committee and every other committee, we are asked for additional money for automation, computers, et cetera. We have always been promised dividends back to the people. We have never seen it. There are always increased costs.

Can you relate the savings through automation to manpower costs if we did not have automation and computers?

Mr. NICHOLSON. The result I gave you is a scramble of factors. There is a host of different influences present that makes that net figure at the end of the line.

Of course, there has been a steady flow of new equipment, new structures, which provides more efficient operations, better working condi-

tions for the employees, and so on. Those introductions have contributed very substantially, I am sure, to the net result that I spoke of.

CAPITAL INVESTMENT

The investment in buildings and equipment did not take place on a very massive scale until reorganization, when the Postal Service was able to borrow funds and provide funds for that purpose.

Currently, in the 3 years since reorganization, including 1975 proposed, we will have about \$3 billion invested in modern facilities and equipment.

This contrasts with an average of about \$130 million annually for the 13 years preceding reorganization.

So, there has been a marked step-up in the rate, the amount, the scale of investment in these new structures and equipment, and it is the anticipation that this will enable the operation to perform more efficiently and the cost per million pieces of mail to decline, or at least with better efficiency, we will be able to offset some of the inflationary cost increases.

CHANGE OF EMPLOYEE ATTITUDE

Mr. KLASSEN. I would like to supplement Mr. Nicholson's comment, if I might, because there is another implication here, motivation on the part of our people. I think the attitude of our employees is different from what it was 2 or 3 years ago. I think they have commenced to realize that what we are doing is also in their interest as well as the public interest. I think the amount of training we are providing for them, the opportunity that they see, has had a marked effect on the behavior and performance of individual employees.

Mr. ADDABBO. Mr. Postmaster General, I wish that was true in New York.

Mr. KLASSEN. I think in New York City, for example, there is an unusual situation. Even there, I think there is a marked change in the attitude of the people. In fact, we are operating the New York City Post Office today with 6,000 or 8,000 people less than we had in 1971-72. We have made physical changes in that post office. We have improved it, cleaned it up. I think it has an influence and effect on the performance and behavior of people.

[Off the record.]

Mr. KLASSEN. That is not necessarily the employees' doing. That might be a matter of leadership with which you are very familiar. It is the unions, not the management.

Mr. ADDABBO. It is not the management.

CHANGES IN JOB CLASSIFICATION

Mr. STEED. In this same period of time, have there been any additions of job classification? We bring in automation and create new types of jobs. Have you added very many new types of job classifications? What about the pay scale for this type of skill? Does it not run higher than the ordinary rate that you paid before mechanization came along?

Mr. KLASSEN. You saw at the training facility at Norman, Okla., those people having some very intensive training preparing themselves to use the kind of equipment in the training center that they would be using at their home post office. Certainly we upgrade those people substantially.

I remember the last time I was there, I talked to two men who were working close together on a project. I asked one of them what might happen as a result of this training effort. He said, "If I am successful with it, when I complete my training the way it is laid out for me, I will go from a grade 6 to a grade 8."

The other man said, "I have been here twice before. I am already a 7, and I am going to move to an 8."

Certainly, as we add more machinery and more equipment—

Mr. STEED. You could not expect to hire that type of skill at the old rates, anyway, because it is sophisticated equipment and creates probably a compelling need for the kind of training you are giving.

What I am getting at is that even though you may reduce the number of people you have to process and deliver the mail, and you do this by mechanization, it does not just follow that all the reductions fall together, because while you use fewer people, if you use more skilled people the dollar cost of it might not show such a dramatic change.

Mr. KLASSEN. That is correct.

Mr. STEED. The point I was trying to develop here is that part of the high level cost is due to the fact that you have a higher level of skill employed to do the job you are doing.

Mr. KLASSEN. That is correct.

POSTMASTER APPOINTMENTS

I might also add, Mr. Chairman, another thing that has been very helpful to us is the appointment of postmasters. As you know, we have appointed 10,000 postmasters from within the ranks. This has resulted in some 50,000 other individuals rising in the ranks. This has had some real pluses for us.

LARGE OFFICES

Mr. STEED. A few years ago, if my memory serves me right, the figures broke down about like this: About 74 percent of your mail volume and your employees and your costs and your total operation was concentrated in about 300 of the large offices, and the other 26 percent was scattered in about 31,000 more offices.

Do you have a reading on how that stands today? Is that still about the right division of it?

Mr. DORSEY. I think probably the 74 percent is in fewer than 300 offices, actually, probably more in the neighborhood of 100 or 150 offices. I do not know the exact figures, but the amount of money spent in the largest offices increases each year because they get bigger as communities get bigger. They grow together. Of necessity, we end up with bigger installations. We can supply figures on that.

Mr. STEED. I think it would be well to have something on that.

Mr. DORSEY. One figure that comes to mind is that we have only 716 post offices that have more than 100 people in them, out of some 31,000.

Mr. STEED. Furnish us a tabulation that gives us a breakout of this. [The information follows:]

PERCENTAGE OF OPERATING EXPENSE AND ORIGINATING MAIL VOLUME FOR
80 LARGEST POST OFFICES

The 80 largest post offices originate about 45 percent of the national mail volume and generate 41 percent of the operating expenses.

EMPLOYMENT AS OF NOV. 9, 1973

	Number of post offices	Aggregate number of employees	Percent of total
Range employment—			
Over 100.....	716	478,510	70
50 to 99.....	565	38,880	5.7
1 to 50.....	30,056	166,439	24.3
Total.....	31,337	683,829	100.0

TONNAGE OF MAIL MOVED

Mr. STEED. I am leading up to the general subject of transportation, the tonnage that you have to move. I do not know what the piece count is, but what is the tonnage figure now of mail that you have to move? Could we have a reading on that?

Mr. JONES. We do not measure all of our transportation in terms of tons. Our air transport is measured in terms of ton-miles. Our surface transport we generally buy in terms of truckload or trainload. However, in terms of gross volume, we expect about 0.54 percent increase in 1975 over 1974. We translate this in terms of units of ton-miles.

I will furnish for the record the increase in ton-miles and the number of surface units.

COST OF TRANSPORTATION

Mr. STEED. Fine. I am trying to show the cost of transportation per ton-mile, or whatever until you use, has to go up because the volume itself forces it up. This will give you a higher cost figure. You may furnish us that, too.

Mr. JONES. We expected the cost of transportation between post offices between fiscal years 1974 and 1975 would increase slightly over \$15 million as of the time of the preparation of the budget. That does not include the fuel penalty increase. The basic \$15 million represented anticipated increases in cost of living which would be the physical cost of supplies and equipment and wage increases, plus a small volume increase.

Added on, as Mr. Klassen indicated, is an estimated fuel increase of approximately \$34 million for fiscal year 1974, and for fiscal year 1975, an additional increase of about \$79.5 million on top of it. Therefore, an increase of \$115 million for that year.

INCREASED FUEL COSTS

Our vehicle fleet for which we must purchase fuel and supplies, an additional \$13 million in fiscal year 1974.

Mr. STEED. Increased cost?

Mr. JONES. Increased cost for fuel only. An additional \$39 million in fiscal year 1975.

So, the aggregate of these two is close to \$200 million for fiscal year 1975.

We anticipate from there on out, the cost of fuel will probably increase about 5 percent a year.

[Additional information follows:]

MAIL TRANSPORTATION VOLUMES

Type of service.....	Fiscal years—	
	1974	1975
Domestic:		
Domestic air (airmail, FCM, container, etc.) (thousands of ton-miles).....	765,767	787,503
Highway ¹ (thousands of scheduled miles).....	662,500	673,000
Railroad ² (vans and cars dispatched).....	200,000	201,200
International:		
Civilian air (thousands of ton-miles).....	123,099	130,525
Military air (thousands of ton-miles).....	488,077	515,315
International surface (tons).....	91,156	93,485

¹ Actual weight not maintained due to complexity of service and volume; for example, the Meadows postal facility in Kearny, N.J., handles 600 to 900 vehicle-moves a day, which are physically impossible to weigh. Also, size of vehicles varies from passenger-type cars to heavy-duty trucks.

² Actual weight not maintained due to complexity of service and volume. In rail service also, there is a diversity of equipment in use, so no meaningful correlation between number of vans and cars and weight is possible.

MAINTENANCE OF VEHICLES

Mr. STEED. While we are in that area, you gave us not too long ago some figures on improvement in the motor fleet in terms of having reduced the turnaround time for overhaul and repairs. Some of that was tied directly to the training program you had. Can you give us some comment on that?

Mr. SOMMERKAMP. The number of vehicle maintenance people we have is down about 500 from what we had 2 years ago. The number of people we have maintaining our fleet is down. The number of vehicles is up about 15 percent over last year. We have more vehicles and are spending less time and money on the maintenance of those vehicles, something like 18 vehicles per employee maintenance, where it used to be down around 11.

Mr. STEED. Does this translate itself into a reduction in a turnaround time? I remember one time a lot of the fleet was tied up because of the turnaround time. Can you give us an estimate of how much improvement there has been?

Mr. SOMMERKAMP. I do not have the figures on the turnaround time, but the age of our fleet translates itself into the modernization for the last several years. We try to turn our fleet over within 6 years, if we can.

Mr. STEED. You are working on a program also about parts and the availability and distribution of them. Did you get that modernized the way you wanted it?

Mr. SOMMERKAMP. Yes, sir. We have a regular parts system. We have, we think, one of the finest warranty followups of anybody in Government as far as parts and failure of parts and having the supplier pay us for the parts. We are in pretty good position on that.

EMULSIFIED FUEL EXPERIMENT

Mr. STEED. Have you a late reading on the experiment with the emulsified fuel at Norman?

Mr. SOMMERKAMP. Yes, sir. All we are doing is allowing the facilities for training, and 5 trucks are made available to them. I think the professor ran something like 18 percent water in the fuel. Now it is about break-even. Now he is running about 25 percent water in the fuel.

Some of the benefits, of course, are reduced fuel, and we get a little better mileage. Some of the problems are keeping the fuel emulsified, settlement of the water, and so forth.

I would not call it anywhere near ready to go, but it is something we want to continue studying.

Mr. STEED. Assuming it works, have you gone far enough to know, if you adopted it, whether all the vehicles would require a substantial increase in machinery or equipment or gadgets to do the emulsifying for you? Will that be very much of a problem?

Mr. SOMMERKAMP. I am not an engineer, sir, but as I understand it, the point right now is whether or not the vehicles could be used with a slight modification of carburetors, or whether or not some agitating device in the gas tank would be necessary to maintain the emulsification if it sat more than 2 days. I think that is the point where they are right now.

Mr. STEED. Do they give any reason why this works? Normally, if you put water in your gas tank, your car will not run at all.

Mr. SOMMERKAMP. I used to fly an airplane in the old days. This is where the background came from. We had water injection, and when the carburetor was at a high pressure with manifold pressure from the supercharger, you injected water into the fuel at this point. This is where this professor got his idea. It cooled down the volume of air and pumped more air per cubic inch, if you will, more oxygen per cubic inch into the intake manifold. That is the theory behind it.

Mr. STEED. You send a gallon of gasoline through a combustion engine and, under the present system, they say you get about 60 percent of the energy in it, and the rest goes out the exhaust pipe. Is this device enabling you to get more energy out of that gas? Is that where the 25 percent comes from?

Mr. SOMMERKAMP. That is what the effect is, yes, sir, to use more of the fuel.

Mr. STEED. You are not actually burning water. It is helping you get more good out of the fuel.

Mr. SOMMERKAMP. From the oxygen content of the water.

Mr. STEED. On the mail volume, how far are you along in concentrating your mail to be processed into certain centers where you have

the equipment to do this and where you can justify the investment in the sorters and the other equipment?

MAIL PROCESSING

Mr. DORSEY. Mr. Chairman, we have 2 basic programs. One is the area mail processing, which is basically around a sectional center, about 50 to 100 associated offices feeding into each center. Most of those are in place. The few that we have not put in simply are not worth it. You cannot justify the mechanization, and you have too much distance to turn around in.

In the other program, called "managed mail," we concentrate mail for a State at a post office designated as the State distribution center. For instance, in the State of Pennsylvania, we have two centers, Pittsburgh and Philadelphia. There we have mechanization, and we hope to put more in other places.

In New York, for instance, we need more letter-sorting machines. We do not have a specific plan that says we are going to do this and this. We are working on a modified centralized mail distribution plan to take the place of the preferential mail system which we have stopped implementation.

You can overcentralize in some cases, Mr. Chairman, and service suffers as a result of it. You have to keep a happy balance between getting the most out of your mechanization and yet provide the service.

LETTER SORTING MACHINES

We estimate at this time that we need about another 250 letter-sorting machines to complete this process and to replace those that are wearing out and have been with us for a long time.

Mr. STEED. This subcommittee suffered through all the early days of mechanization and saw many demonstrations of the original sorting machines. What is the state of the art today? How far along are you in getting the kind of sorter you want?

Mr. DORSEY. Basically, we are still dealing with the same machine that this subcommittee is familiar with, and that is the 12 multiposition letter-sorting machine, which allows a clerk to sit at a console and have letters go in front of him at the rate of one per second, and make distribution to 277 destinations. We have improved the equipment to this extent: We have eliminated requiring scheme knowledge. Now a clerk uses zip code through what we call the "ZMT translator." The clerk pushes the key and a computer translates where the mail goes based upon the zip code.

We are doing extensive work in terms of noise reduction which has been high around those machines, and some other improvements to cut down their maintenance time and to improve their efficiency.

Down the road, we will have advanced optical character readers attached to these machines. We have tested them in New York and Boston, for example. The most modern one of these is still under development in New York, which is called the "AOOCR," which has the capability through its reading heads and its computer to sort mail to two 12-position machines simultaneously. It is still a developmental piece of equipment. I want to make that perfectly clear. There is an awful

lot of developmental work yet to be done. IBM maintains a rather sizable force of people there to keep it in tune.

It currently operates about 20 hours a day. It processes roughly 1,100,000 letters a day in those 20 hours. It has little or no difficulty processing outgoing mail. We have been attempting and have had some reasonable success, but not enough yet, to process incoming mail, which is our most expensive operation, particularly the "incoming secondary." Secondary mail distribution has to be done from memory. The zip code can be used to process incoming primary, but there is no system for processing secondary mail. It is really the employee learning a city scheme. We have attempted in New York, with some success, to put this into the computer and have the computer sort the mail. There are some problems because of the multitude of items involved, changes, and some reading problems. We see light at the end of the tunnel, but the tunnel is still pretty long, I can tell you that

FACER CANCELER

Mr. STEED. What about the facer canceler?

Mr. DORSEY. We still basically are using the Mark II facer canceler that we started to buy some 20 years ago, I guess. We have attempted to develop some competition in this area. We have a developmental contract with National Cash Register which was put out on a competitive bid to develop a facer canceler which would be an improvement over the Mark II, hopefully about 50,000 pieces an hour. So far we have not been able to get an ongoing product that we could deploy throughout the system.

We desperately need facer cancelers, so we have bought from Pitney Bowes another 180 of the style we currently use, with some improvement, with some solid electronic component parts and other improvements. Those machines generally run around 30,000 pieces an hour.

UNCANCELED STAMPS

We are having problems, by the way, with, of all things, phosphorus. If you recall, sir, we put phosphorus in our stamps so the facer canceler can locate the stamp easier. Now we have found that the recycling paper used in making envelopes contains phosphorus. Now the whole envelope has become a stamp, and the machine becomes confused and cannot locate the stamp.

We have a rather heavy volume of uncanceled stamps going through which is becoming a problem for us.

Mr. STEED. Are there any other items of major significance in the area of mechanization that you are acquiring?

CULLING OF MAIL

Mr. DORSEY. Yes. We have an "air culler". Facing and culling of mail, particularly culling, is an expensive operation. It requires an employee to stand at a moving conveyor belt and, as the mail goes by, he picks out mail which, in his judgment, will not go through the canceling machine. It now is a manual operation which takes up a lot of time and slows down the process and is very expensive.

We have been working on an "air culler," where the mail is fed into an air chamber. The air flows up from the bottom of the chamber at such an intensity that mail which will not go to the facer canceler falls to the bottom and mail which will go through the Mark II is carried through. That is a pretty rough description of it, but it works reasonably well. We have some operational problems yet to iron out.

FLAT SORTER

We are working on a "flat sorter," a number of them. "Flat mail" has been traditionally handled by hand. We have a couple of pieces of equipment which show promise in sorting this mail mechanically.

We have a category known as "small parcels and rolls," which literally is what is left over, that you cannot do anything with mechanically. We have been doing some work in developing equipment to handle small parcels and rolls.

If you look way down the track, a sort of Buck Rogers thing, we need desperately a piece of equipment to sequence mail for a letter carrier, which would take mail for a route and run it through a machine, and it would come out in the order of delivery. The carrier spends roughly 30 to 35 percent of his time in the office casing the mail. If we can mechanize, obviously the savings would be tremendous.

Those are some of the things we have been looking at, sir.

CULLING OF MAIL

Mr. ROBISON. Back to your culling problem, what have you been trying to do, if anything, about standardizing, through regulation or law, the kinds of things that may be put through the mail, so the flimsy envelope or the odd size, or whatever it is that your employees now have to cull out because they won't go through the machine, will not be a problem?

STANDARDIZATION OF MAIL

Mr. DORSEY. We have a proposal before the Rate Commission now. Do you want to speak to that, Ben?

Mr. BAILAR. We have a proposal filed with the Postal Rate Commission on January 19, last year, on which there has been no action yet, in which we proposed a surcharge or a penalty, if you will, for non-standard mail. We think there is a need to continue to be willing to handle that mail, but because it is not machinable we propose to charge extra for it.

After the Rate Commission is through with that, I would hope we would be in a position where our mailers, through this economic incentive, are encouraged to meet certain standards. It proposes a minimum and maximum size, both of which are machinable, and a maximum thickness.

SMALL LETTER SORTER

Mr. DORSEY. I might also add, we have a smaller model machine called a "single-position letter-sorting machine." It can be put in smaller installations where you cannot justify a 12-position, or even

in larger installations like New York where it can perform a specific task at a very efficient rate.

BAR CODE READER

We have a bar code program where mailers, before mailing their mail, will inscribe a bar code on the envelope. This code can be read with a bar code reader. We have this system in about 25 or 26 cities. It is still an experimental project, but we have great hopes for it.

MECHANIZED DELIVERY

In terms of delivery of mail, we have mechanized about 71 percent of all of our routes so we deliver parcel post and all classes of mail simultaneously, rather than have one carrier deliver letter mail and another carrier deliver parcel post.

Mr. STEED. Over a period of years, you were able by mechanization to offset the growth in homes, stores, and drops that you had to service, which automatically added to your need for more carriers. I believe you used to get three foot routes covered by two motor routes. Was that the ratio?

Mr. DORSEY. I do not know whether that is the ratio. The ratio I remember is that for every eight routes we motorized, we could eliminate one full-time parcel post route.

Frank, what did we save in terms of motorization?

Mr. SOMMERKAMP. For about every 10 routes that we motorized, we saved overall one route.

Mr. STEED. That does not break even any more, does it? You have about reached saturation.

Mr. DORSEY. Yes. We are struggling to stay even because of the growth increase. There is not much you can do to increase carrier productivity beyond motorization, unless we could get something to reduce office time, where the carrier sorts the mail.

Mr. STEED. We used to hear a lot about large office buildings and large apartment houses, and trying to improve the delivery of mail to people occupying that type of building. Where are we on that now?

CLUSTER BOX DELIVERY

Mr. DORSEY. We have a program we call alternative forms of delivery. The classic delivery is to the door. In terms of residential areas, we have cluster boxes where we would put a box at the end of the street, and those persons who live on that block would come to that corner and get their mail out of a box for which they have a key.

We have been very successful with this in new communities, like Columbia, Md., which was a whole new city and never had any delivery service. We were able, with the help of the builder, to put in these cluster boxes.

We have installed cluster boxes in a number of other places. They reduce our costs significantly since the carrier can serve 12 to 15 families at one stop by simply putting the mail in the cluster box.

Mr. ROBISON. Is there not a constant demand, as those subdivisions are filled up, for home delivery?

Mr. DORSEY. Strangely enough, there hasn't been. I went once to Columbia to meet with them about this whole program, and the only complaint I got was from some lady who said the color did not blend with the countryside. In fact, she enjoyed going to the box because she met her neighbors every day and had a chance to chat with them.

VERTICAL MAIL DELIVERY

The most sophisticated alternate form of delivery is the VIM program, where we have elevators dedicated to the handling of mail, with chutes off each floor, and the mail automatically settles off at each floor.

Mr. STEED. How much of a program is that now?

Mr. DORSEY. I would have to get the figures. I think it is quite extensive. Of course, it is a long lead-time item. When a man starts to build a 50-story building, we have to get to him before he really does much design work. If he gets too far into design, he will not go back and change his plans.

Mr. STEED. The big new office buildings are aware of this program, are they not?

Mr. DORSEY. Yes, sir. The World Trade Center, for instance, which is perhaps the biggest office complex in the world will have a system. The Empire State Building is the classic example of the other kind of delivery, where I think we have 29 carriers in that building every morning to deliver mail.

Mr. ROBISON. And spend the whole day there.

Mr. DORSEY. Spend their whole life there.

Mr. NICHOLSON. At the end of 1973, there were 1,585 of these VIM installations. At the end of 1972, there were 741. So, the number doubled by the end of 1973. They are not all the ultrasophisticated type.

Mr. DORSEY. There are various models. In some of them we have the man stand in the lobby and hand the mail out in the morning. It gets that simple.

Mr. STEED. All of which is to improve service and reduce manpower and make some imprint on the cost factor.

Mr. DORSEY. Yes, sir.

As far as service is concerned, it permits people to get their mail early. Somebody has to be last to receive their mail in an office building. However, if you can get people's mail to them as early as possible, they are happy about it.

PRESORTED MAIL

Mr. STEED. What about presort, and what about the meter postage system? Is that remaining static or is it growing?

Mr. DORSEY. I am sure our meter postage is growing pretty consistently, the amount of metered mail versus that which has stamps affixed to it.

The amount of presorted mail is increasing. If I remember correctly, I think for the coming year we estimate \$7 to \$8 million in savings as a result of presorted mail.

To increase the amount of presorting, a postal customer service representative goes out and sells the mailer on the fact that he should presort his mail and give it to us in trays or some other container so we

do not run it through our distribution system. In some cases we can sack these trays and send them on.

Mr. STEED. What kind of estimate do you have on what this does for the mailer in terms of buying time for him?

Mr. DORSEY. Generally, we feel it improves his service. I have heard of cases where mailers have said that it cut 1 day from the amount of time because their mail bypassed some presort operation and went directly into the network.

UNFAVORABLE PRESS ABOUT LENGTH OF DELIVERY TIME OF MAIL

Mr. STEED. We get complaints about how long it takes a letter to go from here to New York or across Fifth Avenue in New York. Yet, you rarely hear a complaint about how long it takes a letter to go from here to Los Angeles. Is this kind of problem being improved?

Mr. DORSEY. I think the complaints you hear are the horror stories. But you never hear about 98 percent that is delivered overnight in downtown Manhattan all the time. You hear about the 2 percent that does not make it.

Granted, occasionally there is a letter that does not make it and gets bad press. The other day in the Detroit press you perhaps saw that a letter that was mailed in 1865 and was delivered the other day. There was a big blowup in the newspaper that it took 109 years to deliver a letter.

What the newspaper did not say was that the letter was sealed with Scotch tape, which did not exist in 1865. Somebody had taken an old letter and put Scotch tape on it and put it back in the mail stream. I do not know how you offset that.

Mr. KLASSEN. Tell them about the subpoena.

Mr. DORSEY. With regard to the subpoena that occupied the headlines of this country for about a week, we published a statement which ended up on the back pages of the newspapers. The judge signed a subpoena on Monday, February 4. It was not mailed that day. The clerk the next day put a meter impression on it of February 5, but he did not mail it until February 6. Late on Wednesday afternoon, he finally put it in the mail. This is 2 days after the judge signed it and 1 day after it was metered with a date on it. It got to Washington with our normal handling for first-class regular mail. It was not airmailed. It got to Washington on Saturday, which was the scheduled arrival time for that class of mail. The court is not open on Saturday. It is not open on Sunday. So, we could not deliver it. We did blow 1 day. On Monday we should have delivered it. Because of an oversight, the assignment clerk did not know that this particular carrier was not working on that route that day. The letter was actually only 1 day late, and not 8 days late.

Mr. STEED. We sometimes have that kind of problem, trying to explain some of the goings-on in Congress to the folks back home. Whatever else the media does, it certainly does not fully inform. I doubt if their customers would take the time to read it all if they did fully inform.

RATE INCREASES

The new postage rate is now in effect, the one the Cost of Living Council delayed. This is not a temporary increase. The Rate Commission approved the rate. Do you still have a problem with the Rate Commission?

Mr. KLASSEN. It has not been approved by the Rate Commission. It will continue to be a temporary rate until such time as they make their recommendation to the Board of Governors and they act.

Mr. STEED. In the beginning, we had some very painful delays in getting the rate process working. What is the situation now?

Mr. KLASSEN. Of course, they have had a great deal of manpower turnover. They have had three new chairmen in the last year. We would like for them to move along with this.

Have you any fix as to where they might be, Ralph?

Mr. NICHOLSON. They hear the case in chief starting in May. The case was originally filed on September 25, 1973. Until May, when the case really starts, the time has been spent in the discovery process, the exchange of interrogatories. There are some 40 intervenors in the case. We have received about 1,000 interrogatories. Until the intervenor gets the answers to the questions he raises, he feels he is not in a position to prepare his main brief.

We are reaching the point where those principal briefs of each of the parties will be filed and the case itself will begin.

The time seems to move on into too long a period. We had been hopeful the case could be decided in a shorter period of time than the first case, which took approximately 17 months. At the present time, it seems doubtful whether this case will be disposed of by February, which would have been about the same time frame. We are hopeful it will be, but we do not yet know.

Mr. STEED. Are you faced with a situation where, if they do not hurry up, you will have to have another increase to take the place of this one?

Mr. KLASSEN. That could well be the case.

Mr. STEED. All kinds of costs continue to go up, do they not?

LABOR NEGOTIATIONS

Mr. KLASSEN. Our labor contract will expire in July of 1975, and we start negotiations early next year.

Mr. STEED. What do you think is the situation? I do not want you to make any commitment that you will be bound by later, but just give us a reading. We hear a lot of talk about comparability. Are your employees in these days of inflation on a par with other people of similar talent and work?

Mr. KLASSEN. I think our people are being paid on a par with the pay for comparable work in the private sector, yes.

Mr. STEED. You think they are in balance?

Mr. KLASSEN. Yes; I do. In fact, when it comes to benefits, they are probably in better shape than in the private sector in many respects.

UNIFORM PAY RATES

Mr. STEED. It has been an old thing with me about differential. I have never figured out how you justified paying a guy in a small rural community the same pay that you would in New York City. You do not have to be any smarter than I am to know you can live cheaper in one place than in another. What do you think is the future of that? Will you ever get into a real differential situation?

Mr. KLASSEN. The unions are looking for this. They would like to have it in many areas in order that in subsequent negotiations they can again equalize them.

I think the trend for much of private industry today reflects the same sort of pattern we have here. There are uniform rates throughout the country.

I realize what you said, that there is no economic justification for it in many instances. We know some of our postal people are the highest paid workers in their particular community.

Does anybody know how far back it goes?

Mr. STEED. Part of the public resentment of postage rate increases stems from the fact that out in these areas where the pay is in favor of the postal worker, people know him and know about what he makes, and they resent it. Then when you raise postage rates in the face of that and tell them it is necessary in order to pay the high wages, you have a mad patron.

If you had a way to analyze it, I think a large portion of the furor and complaint and criticism about the Post Office Department comes more from this area than anything else.

Mr. KLASSEN. Mr. Chairman, these employees are already being paid better than anyone else in the community. If we stopped future increases and withheld increases for those locations, it would take several years for the economy to catch up.

I have a feeling that that will be something that will be hard to deal with. The employees have had this uniformity for many years.

Does anybody know how far back it goes?

Mr. DORSEY. As far back as I can remember. I have never known us to have anything but one wage rate nationally.

Mr. STEED. We have always had a local rate for Hawaii, Alaska, Puerto Rico, and the Virgin Islands. I do not see why the same philosophy should not apply in all other comparable situations. As I see it, you have to be either overcompetitive in one place or undercompetitive in another if you do it on a national basis. The economics of big metropolitan areas are different from the economics of small communities.

Mr. KLASSEN. I think the trend in private industry has been to have uniform rates throughout the country. That has taken on momentum over the years.

Mr. STEED. So few of them have to operate in every community as you do.

Mr. KLASSEN. That is right.

Mr. STEED. You do not get to skip any of the lean places. You have to be there, whether or no. Even some of the service companies, the

natural gas companies, do not supply my farmers. They have to have propane. When the price tripled on that, there was a problem.

The telephone company does not go everywhere. Wherever there is an American residing, you have to go there, one way or another. This gives you a problem the rest of them do not have.

GEOGRAPHICAL WAGE DIFFERENTIAL

Mr. BROWN. Mr. Chairman, this subject did come up during our last negotiation, and the union proposed that a cost of living differential, not a general wage differential but the cost of living application, be based upon geographic differential.

Frankly, we resisted it, because we have known from prior experiences that the unions had a field day with a situation like this, and play leapfrog. In 1973, for example, they would be in favor of some type of geographic differential, and in 1975 they would insist upon uniformity, which means bringing everybody up to this level. In 1977—this is an exaggeration, of course, because I do not think it would happen every 2 years—they would go back, if they could, to geographic differentials.

They would seek to obtain differentials in order to establish a high margin, and then 2 or 4 or 6 years later say, "We can't live with that because the steel industry and the automobile industry and the aluminum industry and the telephone industry all have the same rate everywhere. We cannot live with different rates." So, the bottom person in the small community is brought up to the top, and everybody moves on upward.

I think it would be a far more costly procedure to the Postal Service, systemwide, to agree with the theory of geographic differentials.

Mr. STEED. With 75 percent of your money for wages going into about 100 offices, and the other 25 percent going into more than 30,000 of them, you are lucky that you have that sort of situation. The only trouble is that that 25 percent in the 30,000 little offices where you generate most of the criticism, you have to live with.

Mr. BROWN. That is correct.

ELECTRIC VEHICLES

Mr. STEED. I believe you referred to the fact that you were using some electric-type vehicles. Could you give us some comment on that?

Mr. DORSEY. Yes, sir.

At a place called Cupertino, Calif., which is south of San Francisco, we have 30 electric vehicles in our experiment on the use of these vehicles. We have found them thus far to be very satisfactory. They are particularly adaptable to city carrier routes where they have a lot of starts and stops. These vehicles use energy only when you push an accelerator down. There is no energy being used at other times. There is no such thing as an electric motor idling. It either runs or doesn't run. You save a lot of energy.

It will run about 2 days on a charge. We have on the street a procurement request for an additional 350 of these vehicles which we are going to put in a number of places.

Mr. STEED. These are sort of a first cousin of a golf cart?

Mr. DORSEY. Yes, sir.

Mr. STEED. I have a suggestion to make. Not long ago I went to a meeting and heard a guy talk, and he impressed me with the fact that the only energy we have available right now that we are not using is our capacity to generate electricity at night when everybody goes to bed. There is a lot of generating capacity that is unused during the night hours when the world is sleeping. That would be an ideal time to recharge batteries.

Mr. DORSEY. That is exactly when we do it, sir.

Mr. STEED. You beat me to it.

Mr. DORSEY. We would not have a chance to do it otherwise, Mr. Chairman. We use them in the daytime.

MECHANIZED DELIVERY

Mr. ROBISON. May I ask a question relative to the carrier's portion of the delivery. What is the percentage now of carrier delivery on foot as compared to mechanized?

Mr. DORSEY. About 71 percent motorized.

Mr. SOMMERKAMP. Foot deliveries are where we actually go to the door. A guy stops a truck and delivers a block or two and comes back to the truck and moves. That is the vast preponderance of our deliveries. About 80 percent of our people go out from the station in some sort of vehicle.

COST OF ELECTRIC VEHICLES

Mr. STEED. Have you gotten far enough along with the electric carts to give a cost reading on them?

Mr. DORSEY. Not yet, sir. They are pretty expensive to begin with. The procurement costs are pretty high, roughly in the area of \$5,000 apiece.

There are some problems that have not been solved with the batteries. The batteries are awfully big and heavy. They have been able to do something about that over the years, but there is over 1,000 pounds of battery in those vehicles, as I recall.

There is great promise in this.

Mr. STEED. There is no pollution.

Mr. DORSEY. That is correct, sir.

Mr. STEED. Does the recharging of the battery figure anywhere in the same area as what you have been spending for the same amount of gasoline?

Mr. DORSEY. It is cheaper.

Mr. STEED. Electricity is cheaper?

Mr. DORSEY. Yes, sir.

We have to remember that in most places we have done it on an experimental basis, and have had the cooperation of the power company in making some installations.

Mr. STEED. Two of the cost factors are the usable life of the vehicle and then the upkeep of the vehicle. What do you think that will be?

Mr. DORSEY. The maintenance is pretty negligible because you have only an electric motor. That is the only moving part, along with the braking system. I think we have had some 5 years in one place.

Mr. SOMMERKAMP. The one with which we have the most success has been down 2 days for maintenance. That is the reason behind purchasing the additional ones, to get a better feel for it.

Mr. STEED. How does that compare with the combustion engine vehicle for the same length of time on the same route?

Mr. SOMMERKAMP. We have been pulling these off the street every 16 weeks. We just upped that to 24 weeks. They get at least 1 day of maintenance every 24 weeks.

BUILDING RENTAL

Mr. STEED. Now let us go to the housing situation. You have finished your work with the General Services Administration on all these buildings throughout the country, the ones you were going to take possession of and the ones you were going to be a tenant in. What is that situation now?

Mr. BAILAR. As you know, the Postal Reorganization Act provided for the Postal Service to be given title to all facilities in which we occupied the majority of the space, and then to rent the remaining space that the Federal Government was already occupying and, conversely, for us to start paying rent on those buildings to which we would not get title.

That has all been implemented. We have been operating under that for some time. We are in the process of negotiations with the GSA over rental rates.

It is the old problem of making sure that we get treated by the same set of standards when we are lessees as when we are landlords.

Mr. STEED. As you know, we are under a new deal this year. If you are in a Federal building where you are paying rent because you do not occupy most of the space, all the other Federal agencies in that building, if the Government owns it, previously lived there free of rent, but now they do not. They will have to pay rent as well. They did not negotiate for the rental they are being charged, but were just told how much it would be.

I wondered if you had any situations where as a tenant in this kind of building your rates have been changed.

Mr. BAILAR. Yes. We are having that problem, Mr. Chairman. I cannot give you hard specifics on it, I am afraid. We have felt in the last year that the rates which we are being charged by GSA for space in Federal buildings are being set at a level which is higher than would be warranted if the same standards that are used when we rent to GSA might be applied.

We are in the process of negotiation with them on that now. I would like to submit a more detailed statement for the record.

Mr. STEED. I wish you would. We would like to be brought up to date on this. I think you have probably the most unique situation of all the landlord-tenant situations to deal with. By the same token that you rent some space from them, they also are renting some from you. Unlike most of the other agencies, you could retaliate.

Mr. BAILAR. That has occurred to us.

Mr. STEED. It would be interesting to know how that works out.

[The information follows:]

The rates originally proposed by GSA for fiscal year 1975 as rental for space occupied by USPS in GSA buildings, known as standard level user charges, were considered excessive compared to rental rates for comparable commercial space.

The Office of Management and Budget reduced the rates 13 percent across the board for all types of space.

In subsequent negotiations between GSA and USPS, GSA agreed to a further reduction of rates in nonurban areas by an additional 12 percent across the board subject to OMB approval.

Postal workroom space is classified as special purpose space and represents the bulk of the space occupied by USPS in GSA buildings. The rates for special purpose space in GSA's original proposal was set at 112 percent of the rate for office space. GSA has agreed to reduce the rate for special purpose space to 78 percent of the office space rate, subject to approval by OMB.

EXPIRATION OF LABOR CONTRACTS

Mr. STEED. Are all your contracts with your employee organizations expiring next July?

Mr. KLASSEN. All of them, are they not?

Mr. BROWN. Yes.

AMORTIZATION OF LOAN

Mr. STEED. What about the borrowed money picture? You have been borrowing money under the law for capital investments. Do you have to set up an amortization, and is the amortization of that account included in this budget?

Mr. NICHOLSON. There has been only one bond issue so far, and that was 2 years ago. The method of handling the amortization of that is this: Starting in 1978, we will create a sinking fund of \$10 million a year. That will provide the money necessary to reimburse the bondholders at the end of the 25-year term. That deposit in the sinking fund has not yet started, and there is no amortization cost in the 1975 budget. There is debt or interest cost which we accrue.

Mr. STEED. You will have to have this as a part of your budget in the future?

Mr. NICHOLSON. Yes, sir.

Mr. BAILAR. The repayments to which Mr. Nicholson refers will be, in effect our cash planning. There are expenses in this budget for depreciation of the facilities we bought with the proceeds of \$250 million. That is in here in the sense of being in a normal corporate income statement.

NEED FOR PROPER SPACE

Mr. STEED. We have talked a lot about the physical plant that you need. We have talked about the mechanized equipment. What about the buildings? Do you have a reading now on what you estimate your needs are for space? What do you have in mind for the next few years on that?

Mr. BAILAR. We currently have 40-some major facilities either completed in the current year or under construction. As you know, at the time the Postal Reorganization Act became effective, it was estimated that out of 140 million square feet of space 40 million was antiquated.

We have been trying very vigorously to upgrade the facilities for the employees, to relocate them for the benefit of our customers, and also to provide a space where we can use mechanization.

We have made a lot of headway on it. I would like to submit for the record a detailed recitation of the number of dollars that have been spent each year.

Mr. STEED. Do that, and also include any other major project that you see coming up to be coped with in the next few years. I would like to get a reading on how far away you think you are from a desirable program.

[The information follows:]

CAPITAL INVESTMENT 1968-75—ACTUAL COMMITMENTS THROUGH 1973

[Dollars in thousands]

	Building construction/ purchase ¹	Improvements	Fixed mech.	Total ²
1968.....	31,398	46,665	44,319	122,382
1969.....	33,574	43,815	15,275	92,664
1970.....	77,292	24,323	15,879	117,494
1971.....	82,654	31,965	58,656	173,275
1972.....	319,367	73,345	239,220	631,932
1973.....	419,303	65,461	186,282	671,046
1974 estimate.....	383,200	154,461	83,125	620,786
1975 estimate.....	711,365	145,290	15,436	872,091

¹ Fiscal year 1968 was initial year for authority to construct postal public buildings. Authority was delegated to PMG by Administrator of GSA on Dec. 1, 1966. The initial appropriation was \$50,000,000.

² Fiscal year 1968-71 Post Office Department Commitments. Fiscal year 1972-75 U.S. Postal Service commitments.

ADEQUATE WORKING CONDITIONS

Mr. BAILAR. We have a program goal that had 95 percent of our employees in adequate working conditions by the end of 1975. We are continuing to work on a schedule leading toward that. I am still hopeful that we will make that goal.

Mr. STEED. I do not remember all the details, but a few years ago the need was so drastic that the savings that would spin off from having the right kind of working conditions were substantial. Have you been able to realize some savings in the new facilities?

Mr. BAILAR. Yes. In the new offices which we put up, we have been able to install materials-handling equipment, and each of the offices has been judged on a number of criteria, one of which is the economic benefit to be gained by moving from antiquated facilities into new facilities.

I think even more important than the economic analysis are two things:

One is the need to have our employees in good working conditions, the importance to their morale. All the members of this committee, I am sure, are aware of the problem with courtesy on the part of window clerks and things of that nature. I think an upgrading of the environment in which they work into nicer surroundings will have a rather pervasive effect on the atmosphere in which people do business with the Postal Service.

LOCATION OF POST OFFICES

The other thing is that many of our post offices were located in places that were suitable for the railroads 30 or 40 or 50 years ago when they were built. They do not bear any great relationship to where people would like to do their postal business now, or to present transportation patterns.

We have some experiments underway to map out certain localities and to determine the optimum location of postal facilities to save people the need to travel and the inconvenience they sometimes experienced with post office locations in the past.

SELF-SERVICE UNITS

Mr. STEED. Where are you now in vending machinery? I know you have been running experiments with a new type of lobby, and that proliferated. What is the situation now?

Mr. BAILAR. I would like to ask Mr. Dunlap, the Assistant Postmaster General for Customer Services, to respond.

Mr. DUNLAP. We have what we call our self-service postal center program, which includes the vending equipment, we have been expanding over the past 2 or 3 years to try to bring our services out to the customer. These have been growing at a rate of about 150 per year.

Right now, we are up to about 1,000 including out in locations such as shopping centers and other areas convenient to the customer. This program is moving along very well at the present time.

Mr. STEED. What about the lobbies in your new postal facilities? They are pretty well mechanized with vending machines, too, are they not?

Mr. DUNLAP. Yes, sir. In all our larger lobbies now we have self-service centers or vending equipment to make stamp sales available to the customer so they do not have to go to the window. This, of course, saves labor costs.

Mr. STEED. Does that enable you to have longer hours of available services without having to have the cost of personnel?

Mr. DUNLAP. Yes, sir. The vending equipment is available on a 24-hour basis at most of the self-service postal centers and in larger post office lobbies, which enables us to achieve savings.

COMPARISON TO FOREIGN POSTAL SERVICES

Mr. STEED. One final question from me for now.

We used to hear quite a bit about what foreign postal services have accomplished. What is the situation now? Are we getting any helpful information from the experiences of other countries? What is the world postal situation?

Mr. BAILAR. I think there are two items I could mention.

First, in analyzing the new rate increases this last month, we looked at the costs in the United States relative to other countries. We found the average American worker had to work for 1 minute and 16 seconds to earn the price of a basic unit of first class postage. In major

four countries—Great Britain, France, Germany, and Japan—that corresponding number ranged between $2\frac{1}{4}$ and $2\frac{3}{4}$ minutes, on the average twice as long as in the United States.

I think compared to foreign countries, our postal rates represent a good value.

U.S. News & World Report ran a survey of a sort and an article about 6 weeks ago in which they reviewed the postal services around the world. I think it fair to characterize that article as follows:

That they found the postal administrations in other countries were experiencing problems very similar to ours.

Mr. Klassen and some of the rest of us have had the opportunity to visit with administrators of foreign postal services in the last 2 months. They had many of the same problems that we are having.

The U.S. News & World Report article concluded by saying that compared to these other postal administrations, they felt that the United States was in satisfactory position. I think the real message here is that our problems are not unique, and we are wrestling with the same things that other postal administrations are.

Mr. STEED. Are they carrying on research in mechanization, too? Do you see any headway in their efforts?

Mr. DORSEY. Yes, sir. They have done some research in mechanization. Some years ago, I guess they were ahead of us, but I do not think they are any longer. They are over here looking at some of our more sophisticated equipment which they do not have.

Australia has a coding system which we have tried with some reasonable success, but it is a little too expensive to operate. France and England have coding systems which are not any more sophisticated or productive than ours.

I think the trap we fall into many times is that it is difficult to compare any foreign postal administration with ours because the size just dumfounds you, the amount of mail you handle, the distance you travel; even the ways the population uses the mail differs in various countries. There are not many populations that use the mail system the way the American public does or American business does.

In England, there is practically no such thing as circular advertising through the mail. In this country, it is about 25 or 27 percent of the volume.

Mr. BAILAR. I think we have about 50 percent of the world's mail volume in this country.

Mr. STEED. Mr. Robison, as I yield to you, I hope that you will show some curiosity about Zip coding, perhaps conveyor systems in post offices, bulk mail, and that kind of stuff.

Mr. ROBISON. I was going to go into broader policy fields than that. Perhaps we can come back to Zip codes.

PUBLIC CONCERN OVER POSTAL OPERATIONS

This is an election year, as everybody knows, and the Postal Service is a convenient target for criticism. There seems to be developing beyond that current tendency in the Halls of Congress some concern about the future of the overall operation, and whether or not it can make it on its own as a business.

Senator McGee, of Wyoming, who is Chairman of the Senate Committee on Post Office and Civil Service, has already made it clear he thinks a much larger public-service subsidy than Congress originally planned is going to be necessary.

Then, over on our side of the Capitol, we have my colleague from New York, Jim Hanley, who agrees that Congress, understanding that the Postal System is far more than a business, must substantially subsidize the operation.

We have quotes from you, sir, Mr. Klassen, relative to all this. At least, I have these quotes.

SELF-SUSTAINING OPERATIONS

This particular newspaper clipping shows you continuing to argue that Congress' original break-even goal is not unrealistic and that, despite the fact of the cost increases your operation has experienced and will experience in the years immediately ahead, you think the original concept, as incorporated in the Postal Reorganization Act, can be made to succeed.

Is that still your thinking?

Mr. KLASSEN. I feel very definitely it can be. On the other hand, there are a great many things which must be taken into account when we make that statement. If Congress continues to make other provisions for mail users so they don't have to pay their way, then, of course, the Service will never be self-sustaining.

I think if it were given a chance and did not have such interference as we have from the Cost of Living Council, things over which we have no control, it could be made self-sustaining. That, of course, would mean as wage costs go up and as other costs rise, our postage will have to rise.

PHASING PERIOD FOR MAGAZINES

You referred a moment ago to our extending the phasing period for magazines. Why? Because of the pressure you have gotten from them. I think the cries we hear from magazines are basically unsound.

Mr. ROBISON. I would like to go into that subject a little later with either Mr. Nicholson or Mr. Bailar, so let us put that aside for the moment.

Is 1977 the date the Service is supposed to be on its own?

Mr. KLASSEN. No; 1984.

Mr. BAILAR. The 5-year phasing of profitmaking publications would have expired by 1977.

SUBSIDY FOR OPERATION

Mr. ROBISON. If you think of what Congress has put into the operation since the Reorganization Act as a subsidy—I am not sure that is the proper word for it—what has the subsidy been, to date, on a year-to-year basis?

Mr. NICHOLSON. A little over \$4 billion, actual.

Mr. ROBISON. That is the total?

Mr. NICHOLSON. Yes. I can give you the year-by-year figures.
[The information follows:]

Total Federal payments to the Postal Service since reorganization are:

	<i>Millions</i>
1972 -----	\$1, 417
1973 -----	1, 410
1974 -----	1, 478
Total -----	4, 305

Supplemental requests for 1974 not yet enacted are: Proposed for delay in rate increases, \$236 million; to be proposed for costs, 1972-74, for unfunded liability of civil service retirement and disability fund, \$285 million; total, \$521 million.

Mr. ROBISON. What is the request for the so-called subsidy in the fiscal year before us?

Mr. NICHOLSON. \$1.5 billion including public service.

Mr. ROBISON. The total I am reaching for is the \$1.552 billion.

I am looking at page J-3 of the justifications under the general heading "Budget Highlights." Down at the bottom of the page there is something that puzzles me. Maybe Mr. Nicholson, with his general ability to explain things, can explain this. Here is a line which says: "Expenditure impact on Federal Government." Over on the right, under the 1975 estimate, we have the figure of \$1,979,889,000. What is the difference between the \$1.5 billion we just mentioned and the \$1.9 billion shown here?

We will have a timeout while everybody puzzles about this.

Mr. BAILAR. If I may take the opportunity while they are looking for those numbers to give you a little bit of background.

ELIMINATION OF POSTAL SERVICE BUDGET FROM PRESIDENT'S BUDGET

In 1973, the Office of Management and Budget, in an effort to control the Federal expenditures, asked the Postal Service to hold down our capital expenditures. We felt those were vitally necessary to improve the mail service. The Office of Management and Budget concern was that if our independence allowed us to set capital expenditures at the level we thought they ought to be, and if that independence were exercised, they could have increases in the Federal budget over which they had no control. So, they took the Postal Service budget, the vast majority of it, out of the Federal budget and put it as an appendix to the President's budget, leaving in the stated President's budget only that portion of our expenditures which are funded by the Federal Government. Basically, it is the \$1.5 billion we are looking at.

For the answer to the question as to how that compares to the \$1.9 billion, I defer to Mr. Gould or Mr. Nicholson.

Mr. ROBISON. I will leave it at that, and let you provide the answer for the record.

Mr. NICHOLSON. We failed you, Mr. Robison.

Mr. ROBISON. For the first time.

[The information follows:]

EXPENDITURE IMPACT ON FEDERAL GOVERNMENT—FISCAL YEAR 1973-75

[Dollars in thousands]

	Fiscal year—		
	1973 actual	1974 estimate	1975 estimate
Budgeted expenditures:			
Payments.....	10,090,978	12,055,952	12,611,218
Cash receipts (other than from borrowing).....	9,934,259	11,393,533	12,183,936
Net expenditures.....	156,719	662,419	427,282
Add: Appropriations for public service and transitional subsidies.....	1,410,000	1,998,685	1,552,607
Total impact on Government expenditures.....	1,566,719	2,661,104	1,979,889

Mr. ROBISON. I would like to look at the balance sheet, which I suspect is what it ought to be called, shown on page 18 of the justifications. Some of these are estimates, I know, and have to be pretty broad-brush estimates.

You show cash position current assets first, cash, the 1974 estimate of \$513,069,000. Then, there is a footnote relative to that which suggests that that is the anticipated cash balance as of—what? June 30?

Mr. NICHOLSON. June 30, 1974.

Mr. ROBISON. What I am trying to lead up to, in any event—you can correct the date if it is wrong here—is that we were told, a few moments earlier today, that your payroll is costing you \$400 million every 2 weeks.

Mr. NICHOLSON. Just under that at the present time.

Mr. ROBISON. And you are running a cash balance of only about \$513 million. So, you really have cash on hand for one pay period, in effect. Are you that close to the cushion of your so-called working capital, if that is the phrase to use?

Mr. NICHOLSON. Yes; we are.

I think the cash available is seriously short. This figure anticipates that we would have received the \$236 million Cost of Living Council delay. Otherwise, you have to subtract \$236 million.

Mr. ROBISON. Does the figure that I used, of \$513,069,000 shown as the 1974 cash estimate, also include the probable receipt of the supplemental request?

Mr. NICHOLSON. That is correct.

Mr. ROBISON. As we think about that supplemental request which the House will be considering later on this week, if that request does not clear Congress, your cash picture and your wage-paying picture will be pretty dismal unless you go to borrowing for operating expenses.

Mr. NICHOLSON. That is correct.

Mr. ROBISON. Which you would have to do almost immediately, I would think.

BORROWING FOR OPERATING PURPOSES

Mr. NICHOLSON. Yes. We are facing the very real possibility that we will have to borrow for operating purposes before the fiscal year is over.

INVESTMENTS

Mr. ROBISON. Now you have an item shown as investments. That seems to be fleshed out somewhere else, although I do not see it now. I thought it was in the annual report. This shows \$986 million, in rough figures, as investments.

What is this? Government bonds that you own, stemming from what in the past?

Mr. NICHOLSON. In largest number, they are Treasury notes, pretty much as selected by Treasury, but we do have some flexibility so for some part of the funds we can invest in Government special issues and in repurchase agreements.

Mr. ROBISON. Do you put some of your working capital, so-called, into a temporary investment?

Mr. NICHOLSON. Yes; every dollar that we can, we do invest with varying terms of investment so we have the necessary liquid cash at the time disbursements are called for.

Mr. ROBISON. I am not much of an analyst of financial balance sheets, but this would indicate you have about a billion in investments that you could have recourse to, if need to be, to supplement your cash situation.

Mr. NICHOLSON. This summary was prepared quite recently, actually March 18, 1974, but at the present time we are not looking at quite so favorable a picture.

Mr. GOULD, the Assistant Postmaster General for Finance, may have a more up-to-date or recent statement to make along that line.

Mr. GOULD. By the end of this year on the basis of our current prognostication, our investment would be around \$400 million.

Mr. ROBISON. Those are at least short-term investments, so you cannot get your money from them without some loss, I suppose, for cashing them in ahead of time.

Mr. GOULD. Most of our investments are in special issues of the Treasury. We try to time them so we are buying the issue that relates to our need. We have experienced very little loss from the sale of Treasury issues.

Mr. ROBISON. General Klassen, if this were a full-fledged business operation, would you not think your working capital was pretty low?

Mr. KLASSEN. It would be in a damned bad shape.

Mr. NICHOLSON. To be sure it is clear—perhaps you were going to follow this up—this cash or these investments are not necessarily, in fact they are not, unencumbered dollars. These are dollars that are needed to liquidate prior commitments. They are temporarily in our hands, but they are not free dollars that we have any volitional control over.

On the liquid cash basis, that is, funds not reserved for prior commitments, the cash position and the investment position is a darker picture, as Mr. Klassen was just indicating.

Mr. ROBISON. Mr. Chairman, I think some of this information gives added weight to the need for the House to favorably consider the supplemental request.

Absent that, Mr. Klassen will either have to cut service back substantially, it seems to me, or else go to borrowing for operating expenses.

We went through a discussion of that route at the time of our hearings on the supplemental item, and it was generally expressed to us that you do not want to do that except under the most unusual and unexpected circumstances, which may be what you are faced with.

[Off the record.]

Mr. ROBISON. Staying with the so-called balance sheet again, Mr. Nicholson, go over with me to page 19. Here we have a reference to the long-term debt of the Service. The first item is for USPS gross revenue bonds, and you show \$250 million up to 1973, actual, and then, for 1974, there is an estimate that this will increase to \$725 million.

Will there be another borrowing for capital expenditure purposes between now and the end of the fiscal year?

Mr. NICHOLSON. I do not think so. I believe it is more likely that it would be a borrowing for operating purposes.

Mr. ROBISON. Regardless of action on the supplemental?

Mr. NICHOLSON. The figures we were just looking at assume that we would get the supplemental. I was just making a calculation to follow through on your other thought. The total of current assets is \$1,690 million, and the total of current liabilities is \$1,570 million, leaving a difference of only \$120 million, the difference between assets and liabilities on a current basis.

I think the requirement for the \$400 million every 2 weeks that you were speaking of will impact us so that there will be a need for borrowing for operating purposes. That would be a short-term borrowing as contrasted with the long-term debt line that you are now looking at.

Mr. ROBISON. That would be a short-term borrowing as contrasted to the long-term borrowing, if that is the proper phrase, that you would have to go to if you did not get the supplemental item, or is it the same in either situation?

Mr. NICHOLSON. I think it is the same situation.

USE OF BONDS

Mr. ROBISON. For fiscal year 1975, the estimate of the total recourse to bonds shows \$1.225 billion, an increase of another \$500 million.

Mr. NICHOLSON. That is correct.

Mr. ROBISON. What would that be for? Is that for capital purposes?

Mr. NICHOLSON. I think it is more likely that part of the 1974 estimate for long-term capital will move over into 1975. The 1975 total is probably pretty good. It is the timing between the 2 fiscal years that seem to be changing here.

CORPS OF ENGINEER PROJECTS

As you know, the transfer of construction from the Corps of Engineers back to the Postal Service has had an unfortunate effect on the program. The need for cash to liquidate those kinds of investments

has not materialized as rapidly. The commitments slip a little and, therefore, the needs for cash to liquidate those commitments slip a little.

So, in the recent period our cash disbursements pursuant to capital projects have not been as great as we originally thought. However, by 1975 we feel the pace of that activity will have picked up substantially, and the need for cash to liquidate commitments will be as great as shown in this column.

Mr. ROBISON. To liquidate commitments made for construction of additional facilities. That is what we are talking about?

Mr. NICHOLSON. Yes, primarily. Those are the longer term kinds of things.

For example, when this year began, we had \$1.2 billion of capital commitments not liquidated. We have been able to finance that cost throughout this year without borrowing, whereas we originally assumed we might have to do so.

Mr. ROBISON. When the Corps of Engineers was handling your construction program, what was the procedure? Did they build the facility and then bill you for it, in effect?

Mr. NICHOLSON. They were the managers of the projects. They handled the clearance of the real estate, the negotiation of contracts and subcontracts, and so on, pursuant to the specifications and general requirements of the Post Office.

Mr. BAILAR. We made the payments.

TRANSFER OF CONSTRUCTION ACTIVITY BACK TO U.S. POSTAL SERVICE

Mr. ROBISON. What were the disadvantages of that, sufficient to have caused the Service to go to the point of handling its own construction program directly?

Mr. NICHOLSON. This was not a decision that the Service took.

Mr. BAILAR. That decision was forced upon us by the Office of Management and Budget who, as I think you know, is in the middle of a program to try to take out of the Federal Government those services which they think might reasonably be procured elsewhere. They felt it was an inappropriate activity for a branch of the Department of Defense.

In their 1974 budget, they denied the Corps of Engineers the number of people that the corps had requested to do the Postal Service work. So, the corps had no option but to turn to us and say they were not going to be able to do it for us, and we had to make arrangements to go elsewhere.

Mr. KLASSEN. Despite the fact that we paid the full cost of all this. That is one more reason why being self-sufficient in any given period of time is difficult. If these actions are taken over which management has no control, then this may never be realized. These things keep happening. You would not run a business that way.

Mr. ROBISON. No, I suspect you wouldn't.

In any event, the change from the Corps of Engineers did create a slowdown and a backlog in your construction program?

Mr. BAILAR. We had one of the largest construction programs, certainly the largest in the history of the Postal Service, and one

of the largest in the history of the country, under way; and, all of a sudden, if you will, the contracting agency was withdrawn and we had to make complete plans to put a new group of people in the harness.

You miss a few steps when you do that.

Mr. KLASSEN. It delayed the program and cost substantial added dollars.

Mr. ROBISON. I think you said in your prepared statement that the 21 major facilities in the bulk mail system were exempted from this changeover.

Mr. BAILER. That is correct. We made a specific request because of the size of that construction program and the fact that it was well under way. They agreed to see those through. They also agreed to see through the items—I have forgotten the exact definition—some of the things which were in process they were allowed to finish up in fiscal 1974. Then they will take the bulk mail network through to its conclusion.

Mr. ROBISON. By July 1 of this year, you are supposed to have transferred back to the Service all of the major facility work except the bulk mail system?

Mr. BAILER. That is correct.

PURPOSE OF RALPH PARSONS CO.

Mr. ROBISON. According to a release I received, you had a contract with the Ralph Parsons Co. of Los Angeles, Calif., for some management and technical support services in connection with this program.

Mr. BAILER. Yes, sir.

Mr. ROBISON. What is the Parsons Company supposed to do for you? More or less what the Corps was doing?

Mr. BAILER. Yes, sir. Basically the same sort of thing the Corps of Engineers was doing. We are dealing with a very large program which we felt the Postal Service needed some external help on, rather than trying to gear up with some hundreds of people on an instantaneous basis.

Second, also we felt that there would be more construction in the immediate future than there might be on a continuing basis. By dealing with a contractor to help get us over this hump, we might avoid building the Postal Service staff up to a level which 3 or 4 years hence we might not need.

Mr. ROBISON. The selection of the Parsons Company was through a negotiated procurement of professional services?

Mr. BAILER. Yes. It was a competitive award, but it was negotiated in the sense that we asked would-be contractors to submit proposals to us as to how they would go about performing the job. It was a two-part proposal, two sealed packages. One was how they would go about performing the job. The second was their price.

We evaluated the 14 proposals from would-be contractors on a technical basis first, without looking at their prices. Then after we had decided which of them would do an acceptable job, we looked at the

prices to determine which was low, and then tried to negotiate with the firm that we thought offered the best overall package.

There was a great deal of competition for the contract.
[Off the record.]

POSTAL REAL ESTATE HOLDINGS

Mr. ROBISON. Mr. Chairman, with this release from the Service, which is dated December 4, 1973, there is a background fact sheet on Postal real estate holdings. It is a pretty concise restatement of the diverse commercial properties in the United States held or leased by the Postal Service.

It shows, for instance, annual lease payments to the private sector in the amount of \$168 million; annual lease payments to General Service Administration estimated at \$30 million, and so forth.

I think it could well become a part of the record.

Mr. STEED. Without objection.

Mr. ROBISON. Also attached is another background fact sheet on the "modern mails" program which shows, apparently in very brief form, a breakdown of the construction program, with a total expenditure of \$3 billion, for 1974-76. May that also be added to the record?

Mr. STEED. Yes.

[The material follows:]

BACKGROUND FACT SHEET: POSTAL REAL ESTATE HOLDINGS*

The U.S. Postal Service is the largest user of diverse commercial property in the United States. Following statistics describe extent of facilities:

Number of facilities (leased or owned):

Leased or rented, 28,000.

Leased to others, 1,300.

Leased from General Services Administration, 300.

Facilities owned, 3,000.

Annual lease payments to private sector, \$168 million.

Annual lease payments to General Services Administration, \$30 million.

Annual lease payments, other Government agencies, \$1 million.

Total, net interior square footage leased or owned buildings, 153,400,000 square feet.

Total square footage, platform and dock space, 10,600,000.

Total, facilities, platforms, docks, 166 million square feet.

Total parking and maneuvering space, 4,000 acres.

Largest postal facility, Chicago Main Post Office, 2,140,617 square feet; smallest postal facility; Granite Springs, N.Y., 30 square feet.

BACKGROUNDER: MODERN MAILS PROGRAM (1974-76)

Total anticipated projects, 15,000.

Financial breakdown:

New construction and mail-handling equipment.....	\$2,300,000,000
Building modernization.....	700,000,000
<hr/>	
Total capital outlay.....	3,000,000,000
Expenditures, metro areas.....	1,500,000,000
Expenditures, smaller communities.....	1,500,000,000

*Numbers are approximate. They do not include bulk mail network construction program, a \$950 million program for construction of 21 major plants and 13 auxiliary facilities.

IMPACT OF NEW FACILITIES

Mr. ROBISON. You said in connection with a question, I think asked by either Mr. Addabbo, or perhaps by Chairman Steed, that these new facilities and the automated machinery in them, and so forth, will some day begin to have their impact on restraining the inflationary costs of handling the mail. I think you put it in the future, "will" have an effect.

When will we reach that date? When will the Service begin to see some return, from not only the past investments you have been making in this connection, but from those that are projected? Is this still quite a ways off?

Mr. NICHOLSON. Day by day, we are seeing them, Mr. Robison. The projects culminate and go into use on a day-by-day basis or the productive equipment and machinery is installed day by day.

So, I do not believe there is any sudden time when the costs in 1 year change in a very marked way from the costs in a prior year. In the process for approving expenditures that Mr. Bailar referred to earlier, of the three major criteria in selecting or evaluating projects, one is the economic return.

So, on a step-by-step or project-by-project basis, as the building is approved or as an investment is made, there is a specific economic return from that investment. They will tend to be 10 percent or higher in all cases.

Mr. ROBISON. I think you can begin to see—I hope you will, anyway—where I hope to come out in all this. It is my general thought that the Service is not going to make it as a business unless you do complete this construction program, and your automation program, just as fast as possible.

ACCELERATION OF CONSTRUCTION PROGRAM

Although, again, no one really can say this and I do not know enough about the situation to have a reliance on my own judgment, it seems to me you have not used your bond authority perhaps as fast as you might have, or made capital outlays for construction purposes so as to accelerate these essential programs.

I know the Corps of Engineers switchover slowed you down, but can you now accelerate this work? Should the Service not accelerate these programs? If you do not, I do not see any end to inflation in the cost of operating a labor- or wage-heavy industry such as yours—there will be increased wage costs year after year, and month after month, for that matter.

INCREASED RATES

The follow-on to that is increased rates all the time, if not every year, then every 2 years. This pattern has already been set.

Mr. Bailar said your rate structure is pretty competitive, and even a good bargain when compared to foreign mail rates. On the other hand, we may come to a point where you will perhaps price your product out of the market. You will stimulate competition from one source or another. Somewhere, you will have to put the brakes on. I do not know where or how you will do it except through mechanization, and automation, to obtain greater productivity.

DELAYS IN CONSTRUCTION PROGRAM

Mr. KLASSEN. I am sure what you say is right. I do not think for a moment we can go any faster with our construction and mechanization program than we are. The delays we experience in trying to get equipment are already known to us, and they are almost unbelievable.

Mr. ROBISON. Every industry today is having trouble getting machinery and resources of all kinds.

Mr. KLASSEN. That is right. I think new facilities and mechanization are actually the answer, long range, to lower costs and better service. As mechanization takes place and we use fewer people, it will lower costs.

DECREASE IN FUEL USAGE

Meantime, everything else will increase. We have a program to save 10 percent of the fuel costs, and we saved 20 percent at a couple of locations. Yet, the increased costs we experienced made the total costs come out the same.

Mr. ROBISON. Even though the energy crisis has become just a serious problem, you will keep trying to decrease fuel usage?

Mr. DORSEY. We are saying just what you are saying. The energy crisis apparently has ceased for the moment, but this is no reason to let up on conservation of energy.

MAIL COMPETITION FROM PRIVATE INDUSTRY

Mr. ROBISON. Let us speak for a minute about competition. What is the picture relative to competition? I know there are legal limits to what people can do in getting into the mail field, but what is the general situation with respect to private competition in the mail business?

Mr. BAILAR. I think there is no question that we have a lot of competition and increased competition. The first one that comes to anybody's mind, of course, is the United Parcel Service, which has been very successful and now handles a majority of the small parcel business in this country.

Mr. ROBISON. Do they have a majority now?

Mr. BAILAR. They have more than we have in parcel post, which for practical purposes is a majority, I guess.

In addition to that, there are people who are seriously exploring other avenues of distribution of magazines and newspapers, such as having milkmen take them on their rounds. There have been efforts to distribute advertising circulars.

One of the things that we think we could do for the public is to get into unaddressed advertising circular. The newspapers are strongly opposed to that because they think that business ought to be available to them. They do not want any competition for it.

In the area of competition, we are getting competition from the telephone industry. If you consider the Postal Service, at least first-class mail, as a message transfer service, the portion of the business which we have has declined sharply in the last 30 or 40 years.

One of the statistics which we have recently developed that is quite memorable is that in 1940, about 30 years ago, a New York to Los Angeles telephone call was \$2.50, or 80-some times the cost of a 3-cent

letter. Today, that telephone call is \$1.45, or 14½ times the cost of a 10-cent letter.

We are having this kind of competition. People are faced with alternatives in terms of billing services where they can combine their billings. We are deeply concerned about the alternatives that people have to using the mail.

A very large portion of our costs are fixed. The more volume we have, the further we can spread those fixed costs. If our business base shrinks, those fixed costs have to be spread over a smaller base.

We are undertaking a number of programs to try to keep our business.

Mr. KLASSEN. This is a very serious thing for us. Our people are just beginning to realize there is competition. In fact, if this committee could give the time to it, Mr. Chairman, we have a report we have made for ourselves, for our own management, that deals with that subject in great depth. It would take about an hour of your time, and I think it would be worth your while to expose yourself to it, and would help you to understand the kind of things we are facing and what has to be done to offset it.

Mr. STEED. We will try to work it out.

Mr. BAILAR. We can put it on today or tomorrow, if you would like, Mr. Chairman, or any other time.

Mr. STEED. Let's see how we go this afternoon.

Why don't we recess now until 2 o'clock.

[Whereupon, the subcommittee recessed at 12:20 p.m., to reconvene at 2 p.m.]

Mr. STEED. The committee will be in order.

The gentleman from New York, Mr. Robison.

Mr. ROBISON. Mr. Chairman, during the lunch break I have been mulling over in my mind something that was said in the morning session and I want to see if the witnesses can help me put it in perspective.

BORROWING FOR OPERATING EXPENSES

It seems to me that, when the people from the Postal Service were before us in justification of the supplemental request that is still pending, one of the strongest and best arguments they made in support of that request, if granted, was that it would help the Service avoid the necessity of borrowing for operating expenses.

I understood them to say that would be a bad business practice, and I agreed.

It seemed to me that was a compelling argument for the supplemental but, now, if I understood Mr. Nicholson correctly, the Service faces, this fiscal year, perhaps the necessity to borrow for operating expenses, and that the same may be true for the fiscal year coming up.

It seems bad in one occasion, and not bad in another. Can you help me get this back in perspective so I don't lose the weight of that argument later on this week?

Mr. NICHOLSON. Borrowing for operating purposes was not planned for 1974. However, it now does seem likely that we will have to borrow for operating purposes in the current fiscal year.

If the supplemental of \$236 million is not enacted, the amount of borrowing will have to be increased, but even so, there is a basic diffi-

culty—the cash difficulty—that we might experience that would require us to borrow whether or not the appropriation was passed.

Mr. ROBISON. That situation is still not totally clear to you? It may be avoided, if the supplemental item is enacted?

Mr. NICHOLSON. It may be avoided, but it is not likely that it would be.

Mr. ROBISON. If you do have to borrow for operating purposes, during the balance of this fiscal year, how will you try to pick up that debt?

Mr. NICHOLSON. Borrowing for operating purposes, I believe, is appropriately a short-term borrowing. The need for it would come about because it was necessary in order to maintain the current ability to perform. It would therefore be in support of the current users of the mail. It is appropriate, therefore, that those current users of the mail who benefit from the operations supported by the borrowing should also pay for the cost of borrowing in a relatively short period.

One way of looking at it might be to borrow for a 5-year period, paying back the total of that amount of borrowing, in annual installments of 20 percent each, so that over a 5-year period the amount would be repaid.

Mr. BAILAR. In that particular case unlike the one we talked about this morning, the amortization or the income on the borrowing would show on the income statement because the one this morning we talked about was for capital purposes.

INCREASE IN REVENUE

Mr. ROBISON. Let us see if we can get the income picture in better perspective, too. Now that the rate increase is in place, however temporary it may be, you estimate your revenues will go up from \$9 billion, more or less, in 1974, to \$10.4 billion in 1975. These are shown as mail and service revenues on page 16 of the justification.

Will those revenues be coming in from now on, Mr. Nicholson, at a rate a bit ahead of your anticipated increases in costs?

Mr. NICHOLSON. Yes.

Mr. ROBISON. To the point where your cash picture will begin to slowly improve?

Mr. NICHOLSON. Yes. Our estimate for 1975 does have a slight surplus of total revenue over total expense, yielding a net income of \$44 million, which would improve our cash position to that extent.

Mr. ROBISON. To that extent, the borrowing could be picked up or absorbed into the revenue stream eventually?

Mr. NICHOLSON. I regret that perhaps the \$44 million surplus would not be adequate, even if that were an annual average.

PHASING THIRD-CLASS RATE INCREASES

Mr. ROBISON. In the budget request now before us, apparently the service has yielded to OMB, and perhaps indirectly to what might, in the end, be the will of Congress in this regard in any event, by dropping the independent request for phasing in the regular rate, third-class increases.

Mr. NICHOLSON. Yes. Once again, I believe this would be the fourth occasion the President has not included the amount for revenue foregone in his requests, nor in that period has the Congress appropriated that amount, even though the President did not request it. The record seems quite clear that the funds for phasing third-class mail are not to be forthcoming. However, we believe the phasing is authorized in the law and should, at the initiative of Congress, the amount be appropriated nonetheless, even though there were no request, it would be our position that this class of mail should be phased.

Mr. ROBISON. The amount that would be involved if it were to be phased is \$256.7 million for fiscal year 1975.

Mr. NICHOLSON. That is correct.

Mr. ROBISON. Mr. Chairman, the annual report of the Postmaster General does contain a variety of items that are possibly of interest, and I am not sure if they would be shown elsewhere in the budgetary supporting material.

The front page, page 1 of it, is possibly of some interest. It is entitled "Financial and Operating Highlights."

NET LOSS PER PIECE OF MAIL

It shows such things as the change, over the last 5 years, of pieces of mail per capita in relation to the U.S. population; operating revenue per capita; accrued cost per piece of mail; operating revenue per piece of mail, and even net loss per piece of mail.

For fiscal 1973, which is the last year that the report covers, it shows what in the way of net loss per piece of mail, Mr. Nicholson?

Mr. NICHOLSON. Net loss per piece of mail is one one-hundredth of a cent or one-tenth of a mill.

Mr. ROBISON. That does not sound like very much per letter or item, but if you multiply that by—

Mr. NICHOLSON. Some 90 billion pieces and that produces the deficit.

PRODUCTIVITY INCREASE

Mr. ROBISON. Another item here; pieces of mail per total postal man-year. That shows, for 1973, 131,079, which indicates a rather steady increase of pieces of mail per total postal man-year running back to the year 1969 when it was 114,156. Is this a measure of productivity?

Mr. NICHOLSON. That is the net effect of all possible changes, and those possible changes involve a change in the nature of the mail, some mail requiring more or less labor than another type.

It involves the contributions that our mailers provide through pre-sorting the mail, making it easier to work with less employment. It involves the contributions that equipment makes that enables one person to process more mail with a machine than he could do without. It involves use of more efficient buildings and better working conditions. It is a mixture of factors, all of which results in more pieces of mail per man-year.

Mr. ROBISON. Mr. Chairman, unless there is objection, I think this one page might be of some value for our record.

Mr. STEED. Without objection, we will make it a part of the record.

FINANCIAL AND OPERATING HIGHLIGHTS

	Fiscal Years Ended June 30				
	1973	1972	1971	1970	1969
Pieces of mail (millions)	89,683	87,156	86,983	84,882	82,005
% change	2.9	0.2	2.5	3.5	3.1
(in millions of dollars)					
Operating Revenue	\$ 8,339	\$ 7,884	\$ 6,665	\$ 6,347	\$ 6,142
% change	5.8	18.3	5.0	3.3	11.1
Govt. Appropriations	1,377	1,361	2,086	1,355	884
% change	1.2	-34.8	53.9	53.3	-1.2
Total Operating Expenses	9,818	9,522	8,955	7,867	7,168
% change	3.1	6.3	13.8	9.8	9.5
Net Loss	13	175	204	166	143
% change	-92.6	-14.0	22.9	16.1	19.2
Fixed assets (net of depreciation) June 30	1,379	1,297	1,150	1,049	776
% change	6.3	12.8	9.6	35.2	10.2
Equity, June 30	1,566	1,548	1,686	1,538	1,150
% change	1.1	-8.2	9.6	33.7	14.2
(in units as indicated)					
U.S. population (millions), Jan. 1	209.7	208.1	206.7	204.4	202.3
% change	0.8	0.7	1.1	1.0	1.0
Pieces of mail per capita	428	419	421	415	405
% change	2.1	-0.5	1.4	2.5	2.0
Operating Revenue per capita	\$ 39.77	\$ 37.89	\$ 32.24	\$ 31.05	\$ 30.36
% change	5.0	17.5	3.8	2.3	10.0
Accrued Cost per piece of mail	10.95c	10.93c	10.30c	9.27c	8.74c
% change	0.2	6.1	11.1	6.1	6.2
Operating Revenue per piece of mail	9.30c	9.05c	7.66c	7.48c	7.49c
% change	2.8	18.1	2.4	-0.1	7.8
Net Loss per piece of mail	0.01c	0.20c	0.23c	0.20c	0.17c*
% change	-95.0	-13.0	15.0	17.6	13.3
Pieces of mail per total postal man year	131,079	123,158	120,212	116,931	114,856
% change	6.4	2.4	2.8	1.8	0.7
Man years	684,192	707,674	723,581	725,913	713,979
% change	-3.3	-2.2	-0.3	1.7	2.4
Employees, June 30	701,051	706,400	728,911	741,216	739,002
% change	-0.8	-3.1	-1.7	0.3	1.1

Financial and Operating Details, See pages 31 through 47

Mr. ROBISON. I don't want to needlessly clutter up the record, but I wonder if there is enough congressional oversight of your operation. I think more should be done to explain your needs and challenges to the general public, and the Congress as well, so as to better understand your problem and situation. That is why I think we ought to flesh out our record as much as we have time to do so.

Mr. NICHOLSON. I think that is very helpful. Copies of the annual report are made available to Members of the Congress. Should members of the public who don't have them wish to have them we would be glad to have their requests.

LEGISLATION TO AID MAGAZINE AND NEWSPAPER PUBLISHERS

Mr. ROBISON. In the area of possible congressional actions, General Klassen, that might further disrupt your business plans and complicate your problems would be the pending legislation which would ease the burden on magazine publishers and newspaper publishers, that is, the burden of recent rate increases they have experienced. This is a difficult subject to fully understand, and a complicated political subject.

I noted that Mr. Bailar took an active part in answering Professor Arthur Schlesinger, who apparently had an article in the Wall Street Journal, charging that the Nation's newspapers were going down by virtue of the increase in the mail rates they were exposed to, and Mr. Bailar did a good job in answering that in a follow-up piece in the Wall Street Journal on February 27 of this year.

Included on the same page along with Mr. Bailar's article was the editorial opinion of the Journal, entitled "Who is Subsidizing Whom?"

The only thing I do not have would be the original piece by Mr. Schlesinger so that one could, in reading the record, have all three points of view—his, in argument against the mail rate increases that allegedly threaten the existence of magazines and newspapers; yours, in response, and, for whatever it might be worth, the Journal's viewpoint of the thus presented pros and cons. Do you have the Schlesinger piece?

SCHLESINGER STATEMENT

Mr. BAILAR. We have it and will make it available to you.

Mr. ROBISON. I wonder if we could have the Schlesinger piece, and the Journal and Bailar pieces which I have here made a part of the record at this point?

[From the Wall Street Journal, January 31]

ANOTHER PART OF THE FOREST

Board of Contributors—Postal Service policy represents a reversal of nearly two centuries of American history

(By Arthur Schlesinger, Jr.)

One of the troubles with big issues is that they crowd out smaller issues. We struggle with such cosmic decisions as whether we are going to impeach Presidents, open up new energy sources, enlarge our capacity for nuclear overkill, assume fateful responsibilities in the Middle East and so on, and less apocalyptic problems go by the board. Going by the board often means that they are settled

by obscure but strategically placed people while the rest of us, our eyes fixed on the big tent, hardly know what is happening. Yet sometimes issues that appear small in the context of the moment may be quite big in their eventual impact on the Republic.

One such issue is the future of American magazines. The obscure but strategically placed characters who hold that particular future in their hands are the officials of something called the U.S. Postal Service. How many Americans, for example, have ever heard of Elmer Theodore Klassen? Yet ever since Congress in a hopeful but wayward moment in 1970 decided to turn the mails over to a semi-independent Government agency, this Klassen, the new Postmaster General, has acted as if his primary commitment were to make the mails pay their own way at whatever social cost. A former Postmaster General, J. Edward Day, calls his policy the "break-even obsession."

The particular target, and victim, of the break-even obsession has been the American magazine. The second-class rates, if Mr. Klassen has his way, will be at least 250 percent greater by 1977 than they were in 1971. "There is no doubt whatever," the editors of the Reader's Digest note in the January issue, "that the rate rise will force a large number of magazines to stop publishing." It would even, they say, make the future of the Digest itself uncertain. The Boston Pilot, a Catholic diocesan paper, added that the Digest had understated the problem: "Serious as the matter is for secular publications, it is far more serious for the religious press and the publications of nonprofit organizations."

LOOKING AT THE RECORD

Now what is of special interest is that this Postal Service policy represents a reversal of nearly two centuries of American history. Please indulge an historian in a look at the record. The Second Congress, enacting the Postal Act of 1792, authorized postriders to carry newspapers. It neglected, however, to place magazines in a special category. The Philadelphia postmaster took this to mean that he should charge magazines at the letter rate. In consequence two Philadelphia magazines—the Columbian and the Museum, described by Frank Luther Mott, the historian of American magazines, as "two of the best 18th century periodicals"—were driven out of business. This situation was corrected in part by the Postal Act of 1794, which admitted magazines to the mails as a regular category. One result was that more magazines were started in America in the last half dozen years of the 18th century than in the half-century preceding.

The reason that the Founding Fathers believed that newspapers and magazines should be transmitted at preferential rates was because they perceived a powerful public interest in the dissemination of information and opinion. President Washington in his first annual message called knowledge "the surest basis of public happiness." Gen. Rufus Putnam, a hero of the Revolution and an early pioneer in the Northwest Territory, later to become Surveyor-General of the United States, amplified the point in a letter to the Postmaster General in 1794 urging the establishment of post roads in what is now Ohio:

"If it is considered in a political light only, the information by this means obtained of the measures of government on the one hand and State of the people on the other, the knowledge diffused among the people by newspapers, by correspondence between friends and other communications with these remote parts of the American Empire may be of infinite consequence to the government. Nothing can be more fatal to a republic government than Ignorance among its Citizens, as they will be made the easy dupes of Designing men." In this same spirit, Washington himself in his fourth annual message, noting that certain provisions of the Postal Act of 1792 were held to "operate, in experiment, against the transmission of newspapers to distant parts of the country," said to Congress: "Should this, upon due inquiry, be found to be the fact, a full conviction of the importance of facilitating the circulation of political intelligence and information will, I doubt not, lead to the application of a remedy."

The Founding Fathers did not see the postal system merely as a means of raising revenue for the Government or of providing facilities for those seeking private profit. They saw it as fundamental to the success of self-government. It was consequently an enterprise enlisting the most eminent citizens of the day. Benjamin Franklin served for 20 years as royal deputy postmaster for the colonies; in 1775 the Continental Congress elected him Postmaster General and charged him with establishing the postal system for the new Nation. After the

adoption of the Constitution, Thomas Jefferson tried to persuade President Washington to appoint Thomas Paine as Postmaster General. The ablest Postmaster General in the early Republic, John McLean of Ohio, served thereafter for 30 years on the Supreme Court and was for many years a perennial candidate for the Presidency.

In the course of the 19th century, Congress on several occasions reaffirmed the strong national interest in the circulation of magazines at cheap rates. The Post Office Act of 1852 both cut rates on magazines and enabled magazine publishers to pay the postal fee when the periodical was mailed. "The average 96-page magazine, weighing 5 ounces, had cost 6½ cents to receive under the Post Office Act of 1845," Mott writes: "now it cost 1½ cents to send." The principle was endorsed again when Congress established four classes of mail in 1879 and placed newspaper and magazines in a special category—second-class mail—with lower rates. Half a dozen years later, Congress reduced the rates for second-class publications by 50 percent more. This action helped stimulate an extraordinary increase in the diversity of magazines and in the size and reach of their circulation in the last years of the 19th century.

THE SENATE HEARINGS

The American tradition, in short, has been to transmit second-class mail at cheap rates because the circulation of newspapers and magazines has been deemed essential to the enlightenment of the Republic and to the strengthening of American democracy. Let us now cut to the hearings held before the Senate Post Office and Civil Service Committee on April 2 last. Mr. Klassen is on the stand. His preparation for the job once held by Benjamin Franklin has been to serve for some 40 years with a can manufacturing company. In a display of ignorance and arrogance hardly to be paralleled even in congressional hearings, Mr. Klassen rejects nearly two centuries of American history. He concedes that "second-class mail has long enjoyed very heavy subsidies." But the party is over; "there is no justification for imposing on the taxpayers still further subsidies of this kind." The rate increases for second-class mail, he complacently adds, are "on the low side of reasonableness." Then, in the next paragraph, he demands that Congress pay the top management of the Postal Service higher salaries.

Senator McGee, the chairman of the committee, tries to pursue the question of public interest. "You still are avoiding the basic issues as to whether there should be a fundamental public service concept here in which the public, the taxpayer, has a vested interest." But he get nowhere. The breakeven obsession reigns supreme. It is not clear why Mr. Klassen is so sure that Washington, Franklin, Jefferson and the others were wrong in affirming a public interest in the wide dissemination of newspapers and magazines. It is not even clear from his testimony that he had any sense of what the Postal Service historically has been all about or, for that matter, that he had ever heard of Washington, Franklin, and Jefferson.

The Postal Service pretends in all this to be executing a command of Congress. But leading Members of Congress unite in rejecting any such interpretation of the Postal Service Act of 1970—and not just liberals either. "As a direct result of the recent postal rate increases," Barry Goldwater has said, "thousands of these publications face extinction." Congress no doubt wanted to establish a semi-independent postal corporation, "but there are other considerations which Congress had in mind when it passed that law, and I believe one of these was that the Postal Service should continue to be what its name and its historical role implies, a service to the American people. * * * I am certain Congress intended for the function of information to prevail." Senator Goldwater has now joined with Edward Kennedy—an unlikely pair brought together by the lunacy of the Postal Service policy—in introducing a bill that would do something to arrest the Klassen crusade against the magazines.

MAGAZINE'S VIRTUES

If the Postal Service continues in its present course, the consequence will soon be to call in question the wisdom of the decision to end direct congressional control of the postal system and to deliver so vital an instrument of Government to officials to contemptuous of national tradition and need. With the increasing

concentration of control in television and newspapers, the magazine has become the medium par excellence for diverse opinion and specialized audiences. The magazine is the great outlet for the multitudinous energies and values of our society, the channel of communication for the particular interests in our varied national life, the means of expression for all those ideas and views that are the concern of Americans as individuals and special groups rather than as a broad, undifferentiated mass, the means of expression too for the more reflective and considered interpretations that form so essential a part of the educational process. To condemn magazines to a lingering death would be, as the Founding Fathers well understood, to weaken the foundations of the Republic. It is perhaps time to remind the ineffable Mr. Klassen that he has not been appointed the judge, jury, and executioner of the Nation's intellectual life.

THE POST OFFICE DEFENDS ITS RATES

(By Benjamin F. Bailar)

Prof. Arthur Schlesinger, Jr.'s polemic against the U.S. Postal Service and the postal rates charged this Nation's magazines and newspapers (January 31) must shatter all previously existing records for misleading statements by eminent historians.

Generosity might prompt me to excuse emotionally charged criticisms of what he perceives to be a "crusade against the magazines." But how does one excuse a historian for errors he would surely find unpardonable in a freshman treatise on American history; errors in fact, errors in interpretation, and errors in imputing to Government officials nonexistent motives?

If Mr. Schlesinger had reviewed postal history somewhat more carefully, I am sure that, while he may have continued to object to higher magazine rates, he would not have found postal managers possessed by a "breakeven obsession." Rather, he would have found—and in the interests of historical accuracy reported—that they are dedicated to carrying out national policy as set forth in the Postal Reorganization Act.

Further, Mr. Schlesinger could only conclude from a more thorough analysis that while the act, and not the Postal Service, decreed that magazines would no longer be subsidized, we have sponsored rates for magazines lower than for any other class of mail. Indeed, that policy prompted the chairman of the Postal Rate Commission (not, as Mr. Schlesinger reported, Mr. Klassen, who was repeating the chairman's finding) to state that new and higher magazine postal rates are "on the low side of reasonableness."

We do not "pretend" to carry out the law, as Mr. Schlesinger alleges; we must carry out the law. Yet he asks us to flout that law and return to a 19th century policy of subsidies which was renounced in the Postal Reorganization Act of 1970. It was as early as 1907 and 1912 that the merits of "cheap rates" were questioned by the Penrose-Overstreet and (Charles E.) Hughes commissions.

Though Mr. Schlesinger would reject the "breakeven" mandate of the Postal Reorganization Act, he never tells how he would have us finance continuing subsidies to magazines—if that is actually what he has in mind. No matter what unrevealed plans he may have, there are only two conceivable ways and neither is permissible.

One way would be through tax-financed appropriations. But these are not authorized by the Congress. The second would be to charge other postal customers more than equitable rates so that magazine publishers may pay less. This we could not defend before the Postal Rate Commission since "undue or unreasonable preferences" are prohibited by law.

One man's free press becomes another man's free ride.

READER'S DIGEST CONCERN

Mr. Schlesinger's article comes on the heels of a similar alarm by Reader's Digest, in its January 1974 issue, which warned that higher postal rates will "kill the magazine industry." This has not been an infrequent refrain from the Digest. It was, in fact, a reissue of a similar message by that magazine in April 1962.

In that earlier message the Digest deplored rising postal rates and asked whether magazines and newspapers must "look forward to years of thinning ranks as postal costs starve their members out of circulation?" Yet 10 years

later the Digest was still being mailed for less than 2½ cents per copy. And in the decade following the 1962 Digest message, 818 new magazines were introduced while 180 were sold, merged or discontinued.

Again, despite recent increases in postal rates, the Magazine Publishers Association says 190 new magazines were published in 1973, up from 106 the previous year. And so far in 1974 the association has counted plans for another 31 new consumer and trade publications.

We see, then, that gradual rescissions of subsidized postal rates has not brought a halt to "an extraordinary increase in the diversity of magazines and in the size and reach of their circulation."

One man's free press becomes another man's free ride

Mr. Schlesinger declaims against Postal Service policy which he finds is "a reversal of nearly two centuries of American history." Don't such matters deserve to be considered on their merits, rather than on a blind continuation of 200-year-old policies? Surely Mr. Schlesinger would not urge static postal policy in a nation where little else remains unchanged?

According to Mr. Schlesinger, Frank Luther Mott wrote that a 5-ounce magazine "cost 1½ cents to send" in 1852. In 1971, the year Mr. Schlesinger perceives to be the last for appropriate postal policy, what did it cost to send a 5-ounce magazine through the mails?

If it carried no advertising, a commercial profitmaking publisher could send that magazine from New York City to any point in the 50 States, including the Northern Slope of Alaska, for 1.3 cents per copy.

If half the magazine consisted of advertising matter, postage for delivery to an addressee 300 miles from the publisher's printing plant was 1.5 cents per copy.

The same magazine could be mailed and delivered within any county in the United States for 0.5 cents per copy.

A typical publication of a nonprofit organization could be mailed for 0.7 cents per copy to any point in the nation.

So, the "cheap" postage of 1852 was, in many instances, reduced further by 1971 despite sweeping cost and price increases over some 120 years. Small wonder that the Postal Reorganization Act declared that it was time for a "reversal of nearly two centuries of American (postal) history."

Now, how severe was the "reversal" in postal rate policy which Mr. Schlesinger protests is a threat to the Nation's intellectual life?

For the first of the above-cited 5-ounce magazines, postage would rise to 5.8 cents per copy by 1977, if approved by the independent Postal Rate Commission.

For the second, to 6.2 cents per copy by 1977.

For the third, to 2.2 cents per copy by 1982.

And for the fourth, to 3.9 cents per copy by 1982.

If it should be argued that not all of these are typical magazines, let's shift to some well-known mass-circulation periodicals. Mr. Schlesinger cites Reader's Digest: in 1971, its average postage was 2.3 cents per copy; currently, it is about 4 cents; and by 1977 postage would be 7.9 cents per copy—2.1 cents less than the rate for a 1-ounce letter, beginning March 2, 1974. In easier-to-grasp terms, rates would rise less than one penny per copy per year over a 6-year period.

Turning now to another well-known publication, The Wall Street Journal: In 1971, before the onset of the first stage of the recent rate increases, postage for the average issue of the Journal was 2¼ cents per copy. At present it is 3.2 cents and the full proposed rate, scheduled to be effective in 1977, will be 7 cents per copy. That is, if its publishers do not persist in finding ways to cut their postal payments, as so many others have done by using lighter weight paper and by trimming page sizes. (In fact, Dow Jones recently announced that beginning with the issue of March 11, the Journal will be printed on narrowed page sizes.)

These changes by publishers reduce their payments but unhappily do not reduce postal costs by a like amount. Removal of this absurdity in the rate structure has been proposed by the U.S. Postal Service but has long been opposed by publishers.

One might have hoped for a more balanced perspective of second-class postal rates than Mr. Schlesinger has provided. It is true that rising postal costs in an inflationary economy coupled with the gradual reduction of public subsidy for

second-class mail are leading to very substantial percentage increases in postal rates. But percentages alone hardly tell the story.

Any rate increase applied to a nominal rate base will necessarily produce a high percentage increase. When a publisher of a rural newspaper can get postal delivery for as little as 4 mills per copy, a postage increase of 1 mill per copy amounts to a 25-percent increase. (Though copies delivered at "two-for-a-penny" postage are not typical, they are far from rare.)

Mr. Schlesinger fears for the Nation's intellectual life, because the Inacy of Postal Service policy may condemn magazines to a lingering death, a fear shared by the editors of Reader's Digest. These fears apparently arise from a belief that subscribers will simply be unwilling or unable to pay a little more to get their favorite publications.

SOME PUBLISHERS' VIEWS

While the appropriateness of need as a criterion for governmental subsidies to publishers may be debated by some, there is considerable evidence that the publishers as a group do not presently qualify on this basis.

Here is what they have said themselves:

"There's new life in the mass magazines." (Business Week, October 13.)

"The magazine business last year peaked at revenues exceeding \$1.3 billion, 8 percent above 1972." (Chicago Tribune, January 29, 1974.)

"The magazine industry has been on the upswing for close to 3 years now, and despite the existence of some problem areas, there is ample evidence to support industry leaders' expectations of steady growth in the next few years. Magazine leaders are bullish for several reasons—more people than ever are buying and reading their publications * * *. They expect more than 5.5 billion copies of magazines will be published in the United States this year, with an ultimate audience of more than 116 million adults." (Advertising Age, November 21, 1973.)

It is true that some magazines have died, and others are having their problems. Life, Look, and the Saturday Evening Post are gone. But is it possible that the death blow was dealt not by postage rates, but by the changing needs and interests of a nation entering the age of electronic communications?

The future for the magazine industry is bright, according to its own figures. Certainly some publications will fail in the future, but so did many in the past, when postage rates were absurdly low.

Mr. Schlesinger's article is an adaptation of testimony he recently presented as a spokesman for the Magazine Publishers Association before the Postal Rate Commission. Certainly we will not disagree with his plea in that testimony that an independent press is vitally essential to a free people. But those who have thought through the matter may wonder whether a truly free press can long endure in this country if editors and publishers become dependent on governmental subsidies for the economic vitality of their publications.

Mr. Bailer is Senior Assistant Postmaster General.

THE JOURNAL VIEW: WHO'S SUBSIDIZING WHOM?

Below are excerpts from a memorandum to the Postmaster General from Warren H. Phillips, president of Dow Jones & Co., publishers of The Wall Street Journal, Barron's, The National Observer and other publications. It was delivered last November 14. It is followed by an excerpt from testimony by Mr. Phillips the same day at Cost of Living Council hearings on the latest proposed increases in postal rates.

For the Wall Street Journal alone, second-class mail costs in early 1971 were running at an annual rate of \$5.3 million. This year (1973), on the basis of constant 1971 volume, they will go up to \$7.6 million. Next year (1974) they are projected to leap again to over \$11.3 million. And in 1977, if your latest proposals are approved, they will be over \$19.5 million (still on the basis of constant volume).

That is an increase of over \$14.2 million, or 268 percent, in annual second-class mail costs for just the Journal from 1971 to 1977 * * * * What would happen to

this country if all business found itself suddenly faced with such an explosive rise in costs * * *. Is it surprising then that we should regard increases of this magnitude as punitive?

Dow Jones is a healthy company. Our net profit last year was \$19.6 million. But it takes little expertise to see where we might be if only one of our many costs can wipe out 40 percent of our after-tax earnings.

If the impact on Dow Jones is so severe, what of others in the publishing industry who do not have our level of profits? Will they be able to find the funds to pay increased costs of this magnitude?

Since the founding of the Nation it has been the policy of Congress to encourage the speedy and economic dissemination of information. I would argue most strongly that the second-class rate structure sought by the U.S. Postal Service is in direct contravention of that established policy. Furthermore, I believe that it ignores the realities of the situation and, if pursued without substantial modification, would effectively eliminate important segments of the national publishing industry—segments that contribute importantly to the diversity of opinion available through the American press. This is far more vital to the American people, and their right to be informed, than it is to any single publishing company or publication * * *.

The Postal Service is determined to eliminate its deficits. The percentage cost increases imposed on users in an effort to meet this goal are uneven. The increases imposed on second-class mail users are far more severe than those proposed for users of other classes of mail. Why have second-class mail customers been singled out to be penalized in this fashion?

One reason that is frequently mentioned is that second-class users do not pay a rate that covers the cost of the service provided to them. We submit that this has been repeated so often that many who are unfamiliar with the intricacies of postal accounting have taken to believing it, but it just is not so. First, it gives no weight to the services that we perform that save the postal system money. And second, it is based on an unjustified and unsupportable allocation of costs among the different classes of Postal Service customers.

Let me mention some of the huge expenses that we in our organization incur in doing work that the Post Office does for first-class mail—and for which we believe some allowance should be made in allocating costs and setting rates * * *.

Instead of depositing each Wall Street Journal in the post office box nearest our production plants we deliver those newspapers to the post office. We truck and fly many of them as much as 950 miles, and deliver them to post offices or railroad terminals. Such transportation costs us \$3 million a year * * *. In some cases our own trucks deliver direct to the postal station nearest the subscriber.

In addition to transportation we do other work that otherwise the post office would need to do. We sort bundles of papers not only by ZIP codes but, in many cases, by individual building addresses within ZIP codes and in cases of large office buildings actually by floors within such buildings. All of this obviously helps save post office work that would require hundreds of additional postal workers * * *.

I am attaching to this memo an addendum showing a step-by-step comparison of handling first-class mail versus publications from Dow Jones. It shows that our second-class requires less than half the number of operations by the Postal Service * * *.

Among measures we and other publishers are forced to consider are printing on still lighter weight paper and reducing the size of our publications, to reduce weight and hence postage costs. . . . I understand that part of the justification you presented for the latest proposed increase of 38 percent in second-class rates was that publishers had reacted to the earlier 5-year increase by moving to lighter weight paper and taking other steps to reduce postal costs—and so the Postal Service now had to have another increase to recoup the reductions in its projected revenue.

May I respectfully urge you to reexamine where the logic behind that reasoning will ultimately lead? Will we have additional rate increases for every step we take to protect ourselves against the intolerable total impact of the current proposed increases? If we and other publishers passed the full cost to our readers and lost half our readers in the process, this reasoning would dictate a further doubling of rates on the remaining readers' copies.

The Postal Service wants to cover all its costs with additional revenue, contending this is the businesslike way. Yet the Service is not being run like a busi-

ness: It incurs costs that are very unbusinesslike indeed, and for this reason its revenue demands promise to be insatiable.

Take one example: Within a radius of a 10-minute drive of the vacation home of Dow Jones Board Chairman William F. Kerby, there are one supermarket, one hardware store, one liquor store, one bank—and five post offices. This is one localized example of how the postal system is carrying the burdens of its past politics and featherbedding.

Its operations also are dictated, naturally enough, by its public service philosophy built around first-class mail, with service extended into many remote, uneconomic-to-serve area * * *.

The solution lies partly in further progress in bringing about a businesslike reformation of the Postal Service's cost structure and efficiency, not just its revenue structure. It also lies partly in an approach to Congress to recognize and support those segments of the Postal Service's work that can only be justified on public service as opposed to economic grounds.

Mr. ROBINSON. If Mr. Bailar would like to now supplement his words as carried in the newspaper piece, I would be glad to have him do so.

Mr. BAILAR. Briefly, it had to do with a memo from Mr. Phillips, president of Dow-Jones on the proposed rate increase. His statement was generally the basis for the third part of the trilogy that you refer to that showed up in the Wall Street Journal in late February. I do not think they give credit to some of the things that are happening. I remember rather vividly the statement that the chairman of the board of his company made, saying he had a summer home, within a given radius they had a liquor store and a grocery store, a service station, and five post offices. He inferred the Postal Service choose to keep these post offices open and then Dow-Jones and other mailers have to pay that kind of expense. I think he is forgetting one thing. The Postal Service keeps those offices open in compliance with the law, and second, we are reimbursed for it.

This is one of the things that the \$920 million public subsidy is supposed to cover. I think the addition of the three pieces will shed some light on this in your record and we will be happy to supply the original piece that you are missing.

Mr. STEED. We will make this a part of the record.

OFFICE OF THE POSTMASTER GENERAL,
Washington, D.C., December 28, 1973.

DEAR CONGRESSMAN: As you may be aware, the January issue of the Reader's Digest carries an editorial message entitled, "Will Congress Kill the Magazine Industry?"

We have prepared a fact sheet which clarifies some of the issues raised by the Digest's editors. One of these sheets is enclosed for your information with the thought it may be of interest to you and helpful in replying to inquiries you may receive on this matter.

Please let me know if there is any additional information I can provide.

Sincerely yours,

NORMAN S. HALLIDAY,
Assistant Postmaster General,
Government Relations Department.

"WILL CONGRESS KILL THE MAGAZINE INDUSTRY?"

A MESSAGE FROM THE EDITORS OF THE READER'S DIGEST

The January 1974 issue of the Reader's Digest contains a message from the editors entitled "Will Congress Kill the Magazine Industry?" The quotes below from that article raise some major issues and questions which the Postal Service believes should be brought into clearer perspective. Our response follows those quotes.

"The U.S. Postal Service recently announced rate increases for second-class mail that almost certainly will spell the end of a large segment of the magazine business * * *.

"As this issue of Reader's Digest goes to press, the magazine industry is faced with the most serious financial threat in its history * * *.

"There is no doubt whatever that the rate rise will force a large number of magazines to stop publishing * * *.

"Because we believe that few people appreciate either the imminence or the dimensions of the impending disaster, we'd like to outline a few basic facts about the magazine business, why its existence is now being threatened by a government institution that has always before nurtured it * * *.

"For we don't see how anyone can logically defend a decision that is almost certain to kill off a large segment of one of this country's most fundamentally important institutions."

In April, 1962 the Reader's Digest ran another message from its editors entitled "Second Class Mail Rates Can Ruin First-Class Magazines." The occasion for this earlier message? Imminent second-class rate increases. In that article, more than 11 years ago, the Digest deplored rising postal rates and asked whether magazines and newspapers must "look forward to years of thinning ranks as postal costs starve their members out of circulation?"

In the 1963-72 decade following the earlier Digest message rates did go up, in 1963 and again in 1967 and by 1971 the Digest paid an average of 2.4 cents per copy postage.

During that same decade, 818 new magazines were introduced while 180 were sold, merged or discontinued. (Magazine Publishers Association's information center.) In 1972, more than three new magazines appeared for every one that left.

An article in the December 15, 1973, issue of Forbes magazine looks closely at the Digest's financial position and finds a "rich empire" with over \$500 million in total business, all of it publishing or publishing related.

The Digest itself will gross \$275 million this year. The May 1973 U.S. edition of the Digest carried \$8.1 million in advertising. According to Forbes, "a world record for a single issue of a periodical."

"Last September 25, the U.S. Postal Service announced that it intends to more-than double second-class postal rates (those applied to magazines and newspapers) over the next 3 years."

Last September 25, the Postal Service did announce a postal rate increase for all classes of mailers. In second-class that increase amounted to 40 percent, to be spread out over the next 3 years.

"The Bureau of Labor Statistics indicates that overall postal charges are rising faster than all but a handful of the 300-odd items that make up its Consumer Price Index."

Taking a longer range view, including the 29 years in which the Digest observed that letter rates lagged behind other prices, we find that these rates have not run ahead of the Consumer Price Index. In recent years, postage has been rising faster than most other items in the Consumer Price Index. In its 1962 message to subscribers, the editors of the Digest pointed out that "there has been only one change in first-class mail rates in 29 years—an increase from 3 cents to 4 cents in 1958." In part, the explanation for the recent more rapid rise in letter rates can be found in the principles set forth in the Postal Reorganization Act. It requires that the burden of meeting postal costs must be transferred, increasingly, from taxpayers who may or may not use the mail, to persons or companies who in fact do use the mail.

"Back in 1971, when the first of two previous astronomical postal-rate increases took effect, Look magazine estimated that its annual mailing costs would jump from \$4 million to \$10 million. This became a major factor in forcing that magazine out of business the same year. Fourteen months later the same threat helped to kill Life. "To pass along increases of the magnitude required by the postal rates, as well as other rising costs," said Time, Inc.'s chairman, "will be to create a magazine industry for the affluent only."

Look was deeply in the red, even before taking account of postage. Even if the Postal Service had mailed Look free, it would still have been a red-ink operation. Several magazine publishers publicly expressed their opinions that Look died because of poor management. A rather extensive examination of the management of Look and the severe problems it faced was presented in a book entitled "Di-

voiced Corporate Style." The long-delayed termination of Life, while regrettable, finally brought new vigor to the finances of its publishing company, Time, Inc. That company recently reported that all of its major operations in the first 9 months of 1973 were at record or near-record levels. Moreover, magazine operations (Time, Fortune, Money, Sports Illustrated) were enjoying an outstanding year, partly because the discontinuance of Life and attendant cost reductions had improved Time, Inc.'s earnings.

"In other words, lower income Americans, the very people who perhaps most need an inexpensive means of continuing education are the main losers when a magazine dies."

According to the Forbe's magazine, among the 42 million Americans who each month read the Reader's Digest are 40 percent of the Nation's college graduates. Its circulation also reaches 35 percent of the American homeowners. These readers spend \$32 billion per year just at supermarkets. Lower income Americans? Anyone familiar with the magazine industry knows that advertisers place their ads in publications because these ads will reach the affluent American not the lower income American.

"The magazine industry is a captive customer of our postal system. But for the present, the Postal Service—through its legal monopoly of first-class mail and its existing network of facilities—still effectively controls that last step from printing press to you, and thus the quality of its service and the rates charged.

The economic rather than legal aspects of that monopoly have deterred competitive entry into the magazine-delivery business. The reason: No profit-motivated business could afford to undertake the delivery of the Digest or any other magazine for a few pennies per copy. Or, in the case of magazines published by non-profit organizations, no business could survive if it had to deliver for as little as eight-tenths of 1 cent per copy, the average postage paid for such publications in 1973.

"For two centuries it has been U.S. postal policy not to take unfair advantage of this monopoly * * *.

"Since 1782, Congress has granted magazines and newspapers rates which allowed them to be mailed at cost. In 1973, for all periodicals, this support amounted to \$190 million."

Quite apart from any tax-financed support of \$190 million for second-class postage directly, there is also a \$920 million public service subsidy to the Postal Service as a whole, an amount which the Congress has authorized to be paid each year through 1979 and in declining amounts thereafter through 1984. Since second-class mail is one of the four major mail services, a substantial part of that annual subsidy inures to the benefit of all magazines and newspapers delivered by the Postal Service. The total revenue forgone subsidy to all second-class mail in fiscal year 1973 was \$260.2 million or 58 percent of the total income received for that class, the balance having come from second-class postage revenues.

Actually, though there's no way to prove it (the Postal Service doesn't keep such statistics) it's probable that the current 4.3 cents per copy postage that Reader's Digest pays covers our full delivery cost. Because our circulation is so big, we go into one of every four homes in America—there's hardly a post office to which we can't be delivered by the mailbag full. This means that we require only one sorting directly to the route carrier as opposed to the two, three or even four sortings required by magazines of smaller circulation.

The Digest states that its current postage per copy is 4.3 cents. Compare that postage with 12 cents per minute: The cost of one minute of productive work-time of a mail carrier. Or compare postage of 4.3 cents for a magazine weighing about 8 ounces with the 8 cents paid (and 10 cents proposed) for a 1-ounce letter.

How does the Postal Service justify these huge increases? Pointing out that average postal costs are only a few cents a copy, the Service has argued that it should be obvious that an increase of 127 percent of a small amount will result in another small amount; magazines can simply pass that small increase on to subscribers.

Since 1970, the alleged impact of the postal rate increases on publications has been aired several times before Congress, and before the independent Postal Rate Commission. To date neither of these bodies have felt compelled to provide any specific remedy for publications. In the first postal rate case to which the magazine industry and the Digest were parties, over 16,000 pages of testimony were taken, and 17 months spent in arriving at a final decision which held

that the increase in postal rates for second-class mail users could be passed onto the subscribers of publications and/or the advertisers in publications. The Postal Rate Commission found that the 127 percent increase would not have an adverse economic impact on the publishing industry and that "the rates proposed are at the lowest level consistent with the mandate of the act."

"There are two gaping holes in this argument. The first is revealed simply by multiplying that "small amount" by the billions of copies of periodicals involved. For the Digest alone, the proposed postal rate increases (including all classes of mail) multiply out to \$14 million more in this single annual cost-of-doing-business—just under \$1 per subscriber per year. Add this to inevitable increases in other costs (paper, printing, et cetera) and it becomes clear that our subscribers in 1976 would probably have to be asked to pay \$6.97 a year for a Digest subscription instead of today's \$4.97."

The article points out correctly that magazines face increases in other costs (paper, printing, etc.). Why then is second-class postage the great threat when it accounts for only 5 percent of magazine publishing costs, according to data put out by the Magazine Publishers Association? Why don't "inevitable" increases in the other 95 percent of costs represent a threat?

The Digest warns that over the next 2 years it may be forced to raise the price of its subscription from \$4.97 to \$6.97. And this, according to Digest data submitted to the Postal Rate Commission would come on the heels of an increase from \$3.97 to \$4.97 in July 1971. (An increase which Digest management attributed to higher postal rates, according to a "Letter to the Editor" from a subscriber who wrote to the Chicago Sun Times on November 9, 1973).

Based on figures supplied by Digest management, postal charges amounted to about 28 cents per subscriber, per year, for the delivery of 12 copies of the Digest in 1971. The higher rates approved in 1972 (but to be fully effective in 1977) would raise that cost to 70 cents per year. And a further increase, requested last September but not yet approved, would mean a boost to about 95 cents per year. Taking these full increases, approved and proposed, we account for about a 67 cents increase in postage per year per subscriber. In contrast, the Digest has already raised its price \$1 per year and suggests a total rise of \$3 per year by 1976. Yet, postage would account for no more than 22 percent of the \$3 rise in subscription prices.

"The other hole in the Postal Service's argument is the use of average figures to describe postal costs * * * What about the magazines that fall on the wrong side of the average?"

When averages are used some publications fall below, some above the average. The Postal Service would prefer to use pennies. Generally, when measured in cents, the publications experiencing increases in postage rates over the average figure, do so because their postage rates are unusually low to start. The actual rate increases in most of those above average cases amount to less than pennies per copy.

"How, then, can the Postal Service be so adamant in demanding these confiscatory charges? * * *

"The answer is that the Service is simply obeying the law. * * * In the late 1960's, Congress, fed up by two decades of complaints about inefficiency and poor service in the Post Office Department, decided to do something about it. The result was the Postal Reorganization Act of 1970, which freed the Post Office of politics, converted it into today's semi-independent Postal Service and gave it a modernized set of management tools and powers to do the job of reforming the mails * * * .

"So carried away was everyone, at the time, by the prospect of really efficient mail service that many magazines failed to react when Congress included an ominous provision in the bill: The requirement that within 5 years of the Reorganization Act's effective date—by 1976, that is—the Service should charge rates that would make almost every class of mail pay its own way."

It is somewhat misleading to infer that the passage of that law resulted from Congress and everyone else being "carried away." Reorganization was not a whirlwind, over-night occurrence. President Johnson perceived of the impending disaster in the Old Post Office Department and appointed a Presidential Commission on Postal Reorganization. The report of that Commission, "Toward Postal Excellence," was made in 1968.

After lengthy and comprehensive congressional hearing and debates, a bipartisan Postal Reorganization Act was passed by Congress in the summer of

1970, signed by the President and placed into effect July 1, 1971. The new law encompassed most of the key recommendations of the Kappel Commission and was supported by the magazine publishing industry and the Digest. One of the major principles underlying that act is that mailers, not taxpayers, should pay for the cost of using the mails. It was felt that it was not fair to shift part of the financial burden of operating the Postal Service to the individual taxpayers, who produce only about 20 percent of the mail volume, rather than to the businesses who produce 80 percent of the mail.

"To many, the act on balance seemed reasonable; it looked as if the Postal Service was going to pull itself together. In the words of Representative Olin Teague of Texas, Congress voted for it 'primarily on the assumption that modern business techniques would make the new Postal Service efficient and economical.' The catch, also in Teague's words: 'The assumption proved wrong.'"

A quick glance at the "1972-73 Annual Report of the Postmaster General" will evidence that major strides toward efficiencies and economies have been made by the 2-year-old Postal Service. During its first year of operation, its net loss was \$175 million. During the past fiscal year, that loss was reduced to \$13 million. The volume of mail delivered during the year rose to a new peak of 89.7 billion pieces, while at the same time productivity of postal employees increased by 6.4 percent for the year. These improvements were accomplished in a post office system glutted with mail handling plants 60, 70, and even 80 years old. The postal system has more than 30 processing centers constructed in the 19th century, and more than 300 have been in service before World War I. These are not minor Offices in sparsely populated areas, but large offices such as Memphis (1885), Brooklyn (1892), San Francisco (1905) and Atlanta (1910). Much remains to be done, but much has been done in these brief 2 years since reorganization.

The Digest opposes a policy of reversing a 200-year-old rate policy too rapidly, but at the same time suggests a rapid turnaround in economies and efficiencies for an antiquated, 200 years old, post office.

"What can be done? We recommend two congressional actions: one a short-range remedy, the other a long-range cure * * * .

"First, Congress should act on a bill * * * that would phase in the payment by magazines of their full postal costs over a period of the next 8 years instead of the next 3."

Some stretchout of phasing may be desirable. The USPS proposals for additional rate increases recognize, fully, that a "200-year-old policy" of magazine subsidies, cannot be reversed quickly, particularly at a time when all sectors of our economy are buffeted by fast-rising costs. Such recognition prompted the Postal Service to propose the continuation of second-class rates substantially lower than those proposed for any other class of mail. But a phasing stretchout is entirely a matter for congressional decision. It should be noted that publications, under the Postal Reorganization Act, were allowed 5 years within which to adjust to postal rate increases. Since the average life of a magazine subscription is 23 months and since advertising rates normally can be increased with 6-month's notice, that 5-year period would appear to be more than sufficient to adjust subscription and advertising rates to allow for postal rate increases.

"For the longer range, Congress should take a hard look at its basic decision to make magazines pay their full costs. We think it was a serious mistake and should be repealed."

Any attempt to negate or long delay the break-even goal mandated by the Postal Reorganization Act cannot be supported as representing the whole public interest.

A public opinion survey conducted late last spring by the Postal Service indicates that there is little public support for magazine subsidies. The survey found that people think that it cost 11.5 cents to send a magazine through the mail. Four out of five people believe magazines should pay all their postage costs, even when educational and other benefits are taken into account.

The Digest's longer range proposal goes to the heart of one of the major principles incorporated into the Postal Reorganization Act; that is the cost of a service should be paid for by the user of that service where identifiable, and not by the taxpayers at large. The above cited survey only confirms that Congress expressed the will of the public in its inclusion of that principle in the Reorganization Act that those who use the mail should pay their fair share of the cost.

Mr. STEED. I am glad the gentleman has brought this material and I say it for this reason. Because of the new character of the Postal Service, the old traditional forums that used to be available to the Service no longer exist, except probably what transpires before this committee and the counterpart committee in the Senate.

In order to keep the whole story as available to the public as possible, I think we ought to be on the general side of massive information rather than to scrimp on it.

Mr. ROBISON. I thank the chairman. The only thing I would say in conclusion on this is that the issue has brought together such unusual joint sponsors in the Senate as Senator Edward Kennedy and Senator Barry Goldwater, who have joined in a bill that would provide legislative relief to the publishing industry, so-called. When you get those two people together anything can happen. If there is a side of your story to tell, let it be told.

Mr. Chairman, I have no further questions at this point.

Mr. ROBISON. Mr. Veysey.

Mr. VEYSEY. Thank you, Mr. Chairman.

USE OF CONGRESSIONAL FRANK

General Klassen, I have seen some criticism recently of the congressional use of the frank in mailing information to constituents. This has gone even to the point of saying no wonder the post office has a deficit, because the Congress franks letters. Yet, I notice in the legislative appropriation bill which is just going through the House today, I believe, there is an item of \$38.7 million appropriated there which the Congress is going to reimburse the Post Office for the cost of franked mail.

I notice also it says that amount is based on the equivalent postage content, the equivalent being in quotes. I don't understand how that figure was arrived at. Does that really represent the cost?

Mr. NICHOLSON. I can answer part of that, Mr. Klassen. In the case of the equivalent amount of postage I assume what is referred to is the fact that Members of Congress, the legislative branch, in using the Postal Service may send some of their mail as first-class or as airmail or as third-class or as parcel post. The cost of postal service is determined, depending upon the number of pieces of each class of mail, and a lump-sum payment is made for the total service based on the equivalent postage that would have been used.

Mr. VEYSEY. In other words, that would be the same amount, just as though you had actually figured out the postage on each item in accordance with the class.

Mr. NICHOLSON. That is correct. We make periodic tests or counts, statistical analysis of the mail, and expand that to the annual basis to estimate the total number of pieces of each class of mail and charge for it on exactly the same basis that any other user would use it.

There is no discount for Members of Congress or Federal departments.

Mr. VEYSEY. So the Congress is, in fact, paying the full equivalent of what any other user of the Postal Service would for the same mail.

Mr. NICHOLSON. Yes; that has been a misconception of many parts of the public for a long time. It was true back in 1950 that mail and

other mail was carried at no charge to the Congress. In 1956, if I remember correctly, provision was made for the legislative branch and the other departments of Government to reimburse the Postal Service. So it was not a postal cost. It was the cost of the originator of that mail. Many people do seem to believe that if the legislative branch or the Department of Defense or the Internal Revenue Service paid for their mail the postal deficit would disappear. That is not true. That mail as far as the Postal Service is concerned is fully paid for.

Mr. KLASSEN. We hope.

AGENCY PAYMENTS BASED ON MAIL VOLUME

Mr. NICHOLSON. Periodically we do improve our methods of counting.

Mr. VEYSEY. I hope you sample it correctly.

Mr. NICHOLSON. We sample it correctly.

Mr. VEYSEY. I am sure it is to your advantage to do so.

Mr. BAILAR. On occasion we have some customers who have difficulty in paying their bill because they do not budget properly.

Mr. VEYSEY. I notice in a further footnote, this ruling from the Comptroller General that you could do it on the equivalent postage basis has just come down and apparently the committee has approved bills for 1973 and 1974 that have been held pending that decision. Apparently you are going to get payments from the Congress in just 1 year. Is that the way it works out?

Mr. NICHOLSON. We get some adjustments for the prior years.

Mr. VEYSEY. You would not be coming into \$100 million in 1 year?

Mr. NICHOLSON. No; I believe the legislative branch paid \$34 million in 1973 and about the same amount in 1974 and apparently \$38 million estimated for 1975. If the measurements indicate that a different amount of mail is used, different from the amount originally estimated, the payment is made on the basis of the actual usage of the mail, which does not become clear until the end of the year. Occasionally the finding is that there is a deficiency of payment. That has triggered some deficiency appropriations before this subcommittee on the current supplemental.

IMPROPER OR EXCESSIVE USE OF CONGRESSIONAL FRANK

Mr. VEYSEY. Do you have any statutory basis or any standards by which you can judge whether or not the congressional use of the frank is excessive or improper?

Mr. Cox. We are not in that business. As a matter of fact, you may recall Congress passed Public Law 93-191, which was signed into law last December, and pursuant to that law a select committee was established in the House and a Senate committee was given equivalent responsibilities to play umpire of what is "official mail" that may be properly franked and what is not. As a matter of background, the Post Office Department bowed out as gracefully as it could of that business back in December 1968. That was one of the things that the Post Office Department did that the Postal Service, its successor, ap-

plauded. We did not really think we were wise enough to play Solomon in those disputes.

Mr. VEYSEY. Now under the new statute you do not attempt to determine propriety.

Mr. Cox. That is right. We have stayed clear of it since the Reorganization Act was enacted and in effect that judgment has been confirmed by the Congress through statute.

Mr. VEYSEY. Thank you, Mr. Chairman.

USE OF ZIP CODE

Mr. STEED. Let us have a little comment about the current status of the ZIP code. How near to total usage are we?

Mr. DORSEY. You have to take it by classes of mail, Mr. Chairman. Starting with second- and third-class mail, where it is mandatory, the mailer has to sort to the fifth digit if possible, and then to the third digit, for all intents and purposes usage is 100 percent, because we do not accept the mail unless it is sorted that way and it can only be sorted that way through ZIP code. In the case of fourth class, it is a high figure, 100 percent simply because we now rate fourth-class mail based on the first three digits in the ZIP code. So if a customer comes into the post office and has a package and does not have the ZIP code on it we have to look it up in order to determine what the rate is going to be on the parcel. So we in effect end up with 100 percent usage.

First class mail where it is strictly voluntary, runs around 87 percent at the last reading I saw. First class mail is over half of our total volume.

Mr. STEED. Is this continuing to grow?

Mr. DORSEY. Slowly, slowly.

The ZIP code usage on first-class mail has been around a plateau of 87 percent. One State in particular has simply refused to put it in simply because they do not have the money to pay for it. They cannot correct their records.

Mr. VEYSEY. If the gentleman will yield at that point, it is voluntary on first-class mail.

Mr. DORSEY. Yes.

Mr. VEYSEY. But does it make a difference in the handling of the mail whether it has a ZIP code?

Mr. DORSEY. It most certainly does. In the first place ZIP code is a system for distributing mail which does not require that the distributor know anything about the State. All he has to do is look at the ZIP number. While we never said it publicly, conceivably you put the ZIP code on the mail in place of your city and State and you would get it, because the number of the ZIP code is the number of the post office.

UNZIPPED MAIL

Because so much of the mail is ZIP-coded, we are able to process it a good deal faster and more accurately. As a result, we end up probably doing a better job on the unzipped mail and a lot of people draw a conclusion that it does not matter whether you ZIP it or not. The

truth of the matter is that we ought to do something about unzipped mail and not give it such high priority treatment as ZIP mail.

Mr. VEYSEY. I ran into a peculiar problem after the first of the year in my district where there was a conversion over to social security from the State of a considerable number of payments that had been carried by the State before. Apparently they were converted without ZIP code and there was a lot of difficulty and great delay in the checks being delivered to the recipients as a result, I understand, because the postmasters arbitrarily for one reason or another did not handle the unzipped mail.

Mr. DORSEY. I have to check that. One of the problems is that we have about 20 million social security checks every month. They are all ZIP coded. The truth of the matter is that the Social Security Administration separates them by ZIP code. They are generally in the post offices for delivery by the first of the month scheduled for the third.

Mr. VEYSEY. This was a new group.

Mr. DORSEY. They did not ZIP code and they did not come to us in any separated form so we could expedite their handling. They had to go through the normal handling procedure for non-ZIP code so you have to have a scheme knowledgeable man to handle the mail.

Mr. VEYSEY. How much time was that?

Mr. DORSEY. It depends on how many handled them and other factors.

If you tell me the post offices, I will check it out. We may not get to it as quickly as the ZIP code mail because of the way it has to be handled.

Mr. VEYSEY. In this case there were pretty long delays and they mostly centered around whether it was zipped. I grant you there was a substantial volume at one time. Of course, these people did not get their checks. Naturally, they got somewhat agitated and they were all over me.

Mr. KLASSEN. How long ago was this?

Mr. VEYSEY. Right after the first of the year when the conversion took place.

Mr. KLASSEN. I wonder if we could get more particulars because I think it is important for us to find out what happened.

Mr. VEYSEY. Yes, I will be glad to talk to you.

DELAYED MAIL

Mr. DORSEY. It takes a real effort to delay mail because you have to keep stepping over or around it and it is easier to deliver it on time than not to deliver it.

Mr. VEYSEY. I heard stories about campaign mailings that never got out until after the election was over.

Mr. DORSEY. Yes, I have, too. Every time we checked one, we never found one that had proof.

I know personally in the last 10 years in the elections we instructed every postmaster to make a record of every piece of campaign mail that was mailed particularly in the last week before the election because we have a lot of people coming the day before election to get it delivered and we cannot do it because it is impossible.

Mr. STEED. I would like to go briefly to one of the problems of rate-making. Since you have this pending business before the Rate Commission, we used to have some very detailed discussions about your cost accounting system. How do you view the situation now?

CONTROVERSY OVER COST ACCOUNTING SYSTEM

Is your cost accounting system accepted by your customers who have to be concerned about the rates and who appear before the Rate Commission?

What is the field of controversy there now?

Mr. NICHOLSON. Mr. Steed, I would like to be both candid and correct in responding to that question. Candid because I believe you and this committee would want all possible information, but correct because I do not want to misstate some differences of opinion between us and the Rate Commission, which is an adversary matter that we should adjudicate within the framework of their procedures.

There is some differences of opinion about a concept of finding costs for ratemaking purposes. It is our belief, it is our conviction—I believe this is based solidly in the law, I believe it has a trail right in the House report accompanying the Postal Reorganization Act, Congressman Hanley in recent hearings involving the Postal Service, itself confirmed this in his statement—that the kinds of costs we should find are those kinds of costs that vary with the usage of the mail. Technically we call those costs short term incremental costs.

COSTS COVERED BY RATES

We believe it is correct to say that the costs to be covered by the rates paid by the mailers should be at least those short incremental costs. We believe that is what the law means, that each regular-rate class of mail should pay its own way, plus an additional amount for the overhead and other institutional general cost. We believe that paying its own way is to cover the short-term incremental cost. One cost concept that I speak of that has some difference of opinion involves the possibility that fully distributed costs are preferable types of costs for ratemaking purposes. The Litigation Division of the Postal Rate Commission has raised that question. There have been some presentations made to establish that fully distributed costs are the conventional types of costs used by regulatory bodies in other connections.

We do not think that is appropriate. However, there is a continuing series of discussions on the costing concepts, involving us and the interested parties and the Postal Rate Commission.

Now, as to whether or not the costs are correct, we acknowledge that we could improve our cost information so that we would have more detail perhaps more precision, costs involving more subdivisions of our activity than we do now.

We have for about a year now been pursuing quite actively a development of cost measuring systems that will increase our knowledge about cost variability for ratemaking purposes. What I mean to underline is we are trying to pursue our knowledge of those costs that we think of as incremental costs, which is our concept of the kinds of costs defined for this purpose.

There is argument that others would have us find fully distributed costs.

ACCEPTANCE OF COST SYSTEM BY RATE COMMISSION

Mr. STEED. In your first experience with the Rate Commission, was any ruling or statement or other reaction exhibited by the Rate Commission about this system of yours, in terms of whether they accepted it as fair and adequate, or did they criticize it?

Mr. NICHOLSON. I was not here. Perhaps Mr. Cox could characterize their finding at the first decision.

Mr. Cox. Mr. Chairman, I think it is fair to say there was some difference exhibited between the judgment of the—as he was then called—Chief Hearing Examiner, currently Chief Administrative Law Judge—and the judgment of the Commission itself on the first go-around a couple of years ago.

As I recall it, the Commission itself indicated that it would not want to fix single-mindedly on any one system of cost allocation and that it thought it was satisfying the criteria laid out in the statute sufficiently by adopting at least for purposes of that case the cost system we followed in that case. But there was at least implicitly some criticism that we should do better in respect to some of our costing as we proceeded into future cases. I think there was recognition on the part of the Commission, the staff, and the hearing examiner, that our costing system was generally tuned traditionally to the budgeting and appropriation process that you are so very familiar with and maybe process does not fit quite right for the sort of ratemaking that the Postal Commission is now engaged in and we have to go through some that process of adjustments to the process of ratemaking we are now in and it may take a little while to complete that process.

NEW PRODUCTS REVENUE

Mr. STEED. Going to page 78 of the justifications, "New products revenue." I see that in 1974 you estimate receipts of \$38,662,000 and in 1975 this figure is estimated to be \$57,805,000, and the comparison among the several items listed is \$20 million in 1974 and \$33,355,000 in 1975.

Of course, the increase in the first-class rate would account for some of that, but does this indicate that the stamp collecting business is growing? Is that your historic record?

Mr. BAILAR. Mr. Chairman, the stamp collecting business is growing rapidly. We are now making available to the public a number of philatelic items, including starter kits, a small book entitled "Stamps and Stories" which shows color illustrations of all the U.S. stamps that have issued, and another set that we call a mint stamp set that is a small folder with one copy of each stamp issued during the year. These are very good items to us in terms of the revenue we realize from them. In addition to that they get people started in stamp collecting and the largest part of this line item you refer to is from the sale of stamps that are not used.

In other words, if a person goes out and buys a block of four stamps for 40 cents and puts them away instead of using them, that 40 cents is part of the \$33 million. The items I refer to not only generate some

profits for us, but they also generate collectors. It is a very good business. It is one of the things that contributes to our revenue.

COMMEMORATIVE STAMP PROGRAM

Mr. STEED. Are you still putting out the 18 commemorative stamps a year or has that number changed?

Mr. BAILAR. I think the number is larger for next year. Our commemorative stamp program at least for the immediate future is going toward stamps that are mostly associated with the Nation's Bicentennial. These will be good revenue producers because they are very collectible items but also there is an opportunity and perhaps even a need for more than the usual number.

The number is larger than 18.

STAMP DESIGN

Mr. STEED. What do you think about the art work you are getting? Are you pleased with the quality and ideas generated?

Mr. BAILAR. Yes; I think they are generally good. I cannot tell you any one individual likes each and every one of them, perhaps including some of us in the Postal Service. But the Stamp Advisory Committee has some artists on it. There are sometimes competitions involved in getting the designs together. I think they have been well-received. We had some stamp designs that would classify as pop art in terms of the colors and designs that have been pretty well received. My children were in our headquarters last week and somebody gave them two envelopes with these new pop art stamps and they thought they were great. There are 16 million stamp collectors in the country and we would like to cater to each of them.

COMPETITION WITH PRIVATE BUSINESS

Mr. STEED. I think the hot potato item in this list is what you call other retail products. In 1974, it was \$5,562,000, and it is estimated to go up to \$6,575,000. I got a letter of protest from some organization that you were getting into a field of competition with small business and private business. What is the story about that?

Mr. BAILAR. Mr. Chairman, we operate on a policy which has been approved by the Postal Service Board of Governors which clearly indicates that the things we sell should be postal-related, and that we are not endeavoring to compete with private industry. We are trying to provide a service to postal patrons with particular attention to things from us which they cannot get conveniently elsewhere. Stamps to mark things as being first-class mail, or some special wrapping materials where you can take a book and slip it in an envelope. It is hard for me to comment in the abstract on a specific letter you might have gotten, but we do not have the intention of selling items in the post offices which are in competition with commercial businesses nearby.

Mr. STEED. Since this may come up from other sources I think you ought to supply for the record a sort of description and list some of the materials that this covers.

Then we will have something more detailed to defend if the need arises.

Mr. BAILAR. Yes.

USPS NEW PRODUCTS AND SERVICES

Our policy is that all products sold by the Postal Service will be philatelic or postal related.

The specific product line that is authorized for sale is as follows:

Commemorative stamps, stamped envelopes, souvenir mint set, stamps and stories, commemorative stamp panels, stamp collector starter kits, stamp prints, historical stamp posters, stamp posters, souvenir cards, postal cards, automatic stamp dispensers, self-inking stampers, mail preparation items (for example, cartons, sealing tape, mailing bags), and desk/mini postal scales.

Sales of the above items will produce about \$40 million of revenue for the USPS in fiscal 1974.

The mail preparation items will help the USPS to provide better mail service and reduce parcel damage.

Three other major product concepts have been reviewed by the USPS. These are: Cacheted first day covers, medals, and photocopying service.

First day covers.—The Postal Service processes first day covers for individuals and dealers but does not plan to print its own cacheted first day envelopes for sales for each stamp. We have issued a cacheted first day cover on only two occasions (Postal Service Day, Postal People Day). However, we have no plans for issuing further cacheted first day covers even on a selected basis, and no plans for entering this cacheted first day envelope business on a continuing basis. Cachets have been produced by local post offices for special events. In addition, the Eastern region produced three such cacheted envelopes for bicentennial related observances but this program was ordered discontinued. Local post offices are forbidden from producing local cachets in connection with first days of issue.

Medals.—We are looking into the possibility of issuing commemorative postage stamp medals. We have advertised for proposals from prospective bidders with their suggestions on a medal program. We would use the art from our postage stamps for these medals. This is an opportunity to use proprietary postal assets (the designs) to generate extra revenue and create a collecting field that combines philately and numismatics.

We are also considering a test of selling commemorative medals produced by the Bureau of the Mint.

In one city, medals were purchased locally and sold on a test basis. However, we do not plan to expand this.

Photocopying services.—In approximately 800 post offices we provide lobby space for coin-operated photocopying machines. The post offices selected are those where no other similar service is provided within one block or 500 feet, whichever is the greater. We price our service at the "going" local rate or higher, so as to not undercut private business. As with our other products and services, our objective is to provide mail-related services and to generate additional revenues for the USPS. We are not attempting to compete with private business.

Postal stores.—The USPS is testing the concept of Postal stores. Many post offices windows are not the ideal place to retail our philatelic and postal related products. The Postal store concept offers the opportunity of displaying and better merchandising our products. Currently, we have 28 such stores. Of these, 26 are in postal lobbies while 2 are outside the lobby in nonpostal locations. Initially, local managers sold unauthorized items in these stores. We have restricted items sold in these stores to the product line outlined earlier.

Mr. KLASSEN. Mr. Chairman, there have been many people who complained about it and many people commended us for what we have done. In those areas where there is any chance of being competitive with some local merchant, we always raise our price so it is higher than his price in order to discourage using our service in that respect.

SECURITY OF CHECKS IN MAIL

Mr. STEED. We are told by our friends in the Treasury that the number of Federal checks being distributed through the mails continues to increase and it is now somewhere measured in the 6 or 700 million total checks area. I am sure most of them get into the mails. That has created some problems for them in terms of these checks being stolen. You have had some problems with the security of mail carriers distributing these checks. You have had some other types of security problems.

What is the situation today in terms of the security of the mails and the problems that you are encountering in that area?

Mr. CONWAY. We still have a serious problem with thefts from house letterboxes and apartment letterboxes. The number of complaints declined slightly over the past year, but there has been a good deal of professional activity in some of the large cities. Many of the criminal operators are drug-dependent types. We have adopted a series of preventive steps; for example, changing the locking mechanism on relay and collection boxes. We think we are getting this thing under control. We work closely with the Secret Service and other Government departments, but it is still a serious problem and probably will be for the foreseeable future.

PUBLIC SERVICE ITEMS

Mr. STEED. The "Public service" item, have you had any new public services in the last 3 years? You can supply this for the record, plus an analysis of the total public service record.

Mr. NICHOLSON. There have been no new public services that I would characterize under that heading.

NONPOSTAL ITEMS SOLD BY U.S. POSTAL SERVICE

Mr. STEED. Aren't you involved in some food stamp services?

Mr. NICHOLSON. I see what you mean. Yes, we do distribute food stamps in some States where the States wish to enter into an agreement with us for the sale of food stamps through post offices. We also handle passport applications quite widely. We distribute literature for the Internal Revenue Service and sell their tax informational booklets. I believe those are the principal items.

Mr. KLASSEN. We had the pressure from the FEO to handle their gas rationing.

Mr. STEED. They told us if that came about and if you did not do it, they would have to hire 16,000 or 17,000.

Mr. BAILAR. If it did come about, we might have to hire that many people to provide the service. We estimated there would be something on the order of 20-percent increase of window transactions if we had gone to the type of program they were talking. Mr. Chairman, while you are talking about the public services, I think the top three items on the page before you are new products: Express mail, mailgrams, and Control Pak which are a new service to our customers qualify and we will include them.

Mr. KLASSEN. He was thinking of what we were doing for Government agencies.

Mr. STEED. Yes, the whole package, but first I wanted to know what new stuff you were getting. We started off with the corporation with the old traditional program, and instead of that being phased out, Congress seems to be as busy as it can be phasing in more of the same.

Mr. NICHOLSON. We continue to sell duck stamps, and register aliens and do those kinds of things.

Mr. STEED. If that sort of thing continues, and if the inflation hits that area like it does everything else, how long will it be before the 10 percent is no longer a realistic figure?

REIMBURSEMENT FOR SERVICES

Mr. NICHOLSON. We are reimbursed for these services. We are reimbursed for the cost of the food stamp transaction or for the processing of a passport application. We are reimbursed.

Mr. STEED. I know that, but I sometimes wonder if reimbursement ever really covers everything. It is generally sort of like when I used to be a traveling reporter, and I had an expense account and no matter how I padded it, I always came out short.

CREDIT CARDS FOR VETERANS

Mr. BAILAR. Mr. Chairman, I think there has been a bill introduced in the Congress that would give each veteran a credit card and he would take it to the local post office and obtain payment for whatever services he was entitled to under the veterans' bill.

[The following information was provided:]

PUBLIC SERVICES

The U.S. Postal Service handles the following public services:

1. Passport applications.
2. Food coupons.
3. IRS Publication 17.
4. Golden Eagle/passports.
5. Alien registration.
6. Migratory bird stamps.

Our policy is to charge for these services on the basis that the Postal Service is reimbursed for the value of time associated with the service, plus 101 percent to cover institutional costs. However, this policy may not apply if the service charge is established by legislation, or particular memorandum of understanding.

MAIL SERVICE

We have the following new mail services:

1. Mailgram: This is a joint U.S. Postal Service/Western Union service where messages are conveyed over Western Union communications lines to machines in our post offices and delivered by carriers. We achieve next-day service nearly 95 percent of the time. We expect to deliver 20 million mailgrams in fiscal year 1974.

2. Express mail: A new business courier service is available in 58 cities. Next-day service over 99 percent of the time, with volume in fiscal year 1974 expected to double fiscal year 1973 levels. We expect to do over \$6 million of express mail business in fiscal year 1974.

3. Stamps by mail: A service whereby customers can mail in an order for stamps. This has been particularly beneficial for working housewives, the aged, invalids, and small businesses.

4. ControlPak: A service to provide security handling for large volume mailers of credit cards and other valuables such as tickets and checks.

Mr. STEED. Mr. Addabbo.

CONTRACTING FOR CONSTRUCTION

Mr. ADDABBO. On page 10, on "Capital investments," you speak of the work being returned from the Army Corps of Engineers to the Postal Service. Who is performing this work now?

Is that all being privately contracted out?

Mr. KLASSEN. The construction work is being contracted out naturally. As far as the management is concerned, we have added to our staff and also have retained a professional organization to help us with the management of our facilities and construction.

Mr. ADDABBO. On page 11 you say you have contracted for expert management and administrative services to keep your construction program at a high level and you have also decentralized your real estate program.

CONTRACTS FOR MANAGEMENT AND ADMINISTRATIVE SERVICES

I know you have had extensive expansion programs. Could you list for the record the contractors that have received the contracts and the expert management and administrative services that you contracted for with a dollar value for each contract.

Mr. KLASSEN. We can provide it for the record.

[The information follows:]

On December 3, 1973, a contract for Nationwide Facilities Management Support Services was awarded to the Ralph M. Parson's Co. of Los Angeles, Calif., as the result of a technical competition.

The contract is for 3 years' duration with an estimated funding of \$13.2 million for the first year.

Generally stated, the contract consists of three (3) "Work group" areas with services provided under each as follows:

(1) Work group 1.—Provides to both the headquarters and regional facilities organizations, facilities management support services for assigned projects to assure that such projects are properly planned, designed, and constructed and completed within established budget and schedule constraints.

(2) Work group 2.—Provides to both headquarters and regional facilities organizations, architectural and engineering personnel to provide professional technical services in direct support of project execution under the facilities program.

(3) Work group III—Represents the technology transfer clause under which the Postal Service will be able to acquire the most advanced industrial and professional techniques from the private sector: the Postal Service will be able to obtain help in areas of technology, methods, procedures, and organization.

FINANCIAL STATUS

Mr. ADDABBO. On page 13, you mentioned the financial status. I know there have been quite a few questions relative to your financial status and that you have operating funds for only a limited period of time and that if this was a private business you would feel that you were in very bad straits. You come out of private industry, and I would imagine in private industry if you find yourself under certain conditions such as this that there would be possible reorganizations or possible cutbacks or trying ways and means to try to correct

this situation. Is that being done, or is it true, because of the law of the revenue loss provisions that the Congress should make up this thing, that nothing is being done in-house to pick up this loss that you say that you have been experiencing and will be experiencing for the next several years?

Mr. KLASSEN. Perhaps we should repeat some of the things we talked about earlier today while you were out. We recognize that we have a financial problem and we also recognize some of the reasons for it. We also recognize that something has to be done. That is one of the reasons that we appeal to this committee to help us to make sure that we get this \$236 million that was withheld from us.

Mr. ADDABBO. That is the easy way out to get the money from Congress. That does not do anything in-house.

Mr. KLASSEN. We also pointed out that we are today operating with many thousand fewer employees than we did only 2 or 3 years ago.

Mr. ADDABBO. We gave you automation and machinery and that was supposed to be the result. What is involved?

Mr. KLASSEN. We also have a different attitude on the part of our people. We are getting more productivity from our people than we did before. In fact, we are not getting enough. We have sessions established with some of our professional help and our own people this week to deal precisely with that subject.

We do this constantly. We recognize some of the limitations under which we operate. We have a no-lay-off provision. We also recognize that many of our facilities do not lend themselves to efficient operations, in spite of the fact that we have been opening one new major processing facility every month since the postal reorganization.

Mr. ADDABBO. Have you had better luck at Secaucus?

Mr. KLASSEN. That is like the horror story of one bad letter you get along the line. Everybody works the hell out of it every day. That Secaucus story is not that bad. Maybe Mr. Dorsey should tell you about that again.

SECAUCUS OPERATIONS

Mr. DORSEY. The first thing is that the office at Jersey City has two operations. Everybody tends to associate it only as a bulk mail plant. It is a bulk mail plant and a foreign mail center. The bulk mail, as far as we have brought it on line, is working. We had some mechanical problems because of a contractor who did something contrary to the specifications and some of the equipment does not work properly.

We are in the process of correcting that. We have no problem with the bulk mail side. That part is now ready and working fine. When I talked to the manager this morning they were unloading tractors and trailers as fast as they could pull them to the dock. The problem has been on the foreign side which is a manual operation and always will be because of the different kinds of mail that come in there from all over the world. It is nothing unusual. In fact, we are working that mail with about half as many people as we formerly did at the Brooklyn Army Terminal. We have been able to capture some savings as a result.

As soon as we get the bugs out of the system, it will work fine. Please do not confuse the foreign side with the bulk side just because they happen to be next to each other. They are two separate operations.

CONTEMPLATION OF NEW AIR MAIL FACILITY AT JOHN F. KENNEDY AIRPORT

Mr. ADDABBO. Is there contemplated to be constructed at the John F. Kennedy Airport in Queens a new foreign airmail facility?

Mr. DORSEY. We are in the process now of studying what we should do at JFK, not only with foreign airmail, but with all airmail. We fly a good part of our other mail in addition to airmail. JFK handles all the foreign airmail coming into New York and most of the first class and airmail going into New York for the New York metro area. We contemplate putting there a total mail processing center.

Mr. ADDABBO. Is that presently still under study or is there a decision made?

Mr. DORSEY. We are still studying and should know by June what the configuration and capacity of the facility ought to be. We have been talking with the Port Authority about the building. We now work mail in three buildings at JFK, one building at La Guardia, and one building in Newark. So we have five installations up there where we are working mail, which is very, very inefficient.

CONSOLIDATION OF LONG ISLAND CITY FACILITY

Mr. ADDABBO. One of the problems that I face and if I face it, I imagine many other areas are facing the same question and that is that reorganization plans are ordered and then delayed and then the post office people do not know where they are and where they are going. I have particular reference to the consolidation of the facility at Long Island City. They were supposed to be phased out and they were not phased out and they have been extended another year. This uncertainty does not make for good working conditions as far as the individual is concerned.

Mr. DORSEY. I am not particularly familiar with that.

Mr. ADDABBO. I would appreciate it if you would look into it.

Mr. DORSEY. Are you talking about the concentration center?

Mr. ADDABBO. It might be that.

Mr. DORSEY. We have phased it out, moving that operation over to the foreign mail center. We have finished taking mail out of there. We had to find a place for the people who worked there because, under a prior agreement, they had a right not to go to Jersey City if they did not want to go. We had to find places for them within the New York metropolitan area. That may be the problem you have reference to.

REDUCTION OF PERSONNEL IN LOWER GRADES

Mr. ADDABBO. One of the other problems raised, which again affects morale—and when morale is affected, delivery service is affected—is

that there has been a reduction in personnel, but the percentage of reduction has been greater in the lower working levels, and there has been a substantial increase in so-called management positions.

With the reorganization plan of new grade numbers—in other words, where we used to have 5, 6, 7, and 8, now we go to 13, 14, 15, and up to 18 and 19—through this manner there has been created a management level which uses up the dollars but does not give us efficiency in operation.

Could you supply for the record the number of reductions in personnel in the lower grades, the old grades, which would be below management, below foreman, and the number of increases in positions from foreman up to —

Mr. KLASSEN. First line supervisor. Let's put it that way.

[The information follows:]

DISTRIBUTION OF EMPLOYEES BY GRADES

Employee category	As of June 30, 1972		As of June 30, 1973	
	Number of employees	Percent of totals	Number of employees	Percent of totals
Craft employees.....	607,097	94.09	568,992	94.28
Supervisors (13 grade structure):				
Grades 6 through 9.....	26,515	4.11		
Grades 10 through 13.....	10,880	1.69		
Grades 14 and over.....	705	.11		
Supervisors (22 grade structure):				
Grades 6 through 11.....			978	.16
Grades 12 through 17.....			26,030	4.31
Grades 18 through 23.....			7,339	1.22
Grades 24 and over.....			158	.03
Total.....	645,197	100.00	603,497	100.00

Mr. ADDABBO. Another question raised in the list of questions I gave to Mr. Nicholson when we were considering the supplemental request was the tremendous increase in what normally would be supergrade salaries still under the Congress, but not being under the Congress, the tremendous increase in salaries and the duration of so-called super-grade jobs.

Have all these positions been necessary to warrant the salaries in excess of \$42,500? How many positions do you have in excess of \$42,500 which have been created since the creation of the Postal Corporation?

Mr. KLASSEN. We can supply that for the record. Do you want some comment on it now?

Mr. ADDABBO. If you would for now, and supply a listing for the record.

[The information follows:]

Because of reorganization of functions, it is not possible, except in a few instances, to relate present positions with those that existed prior to July 1, 1971.

Following is a listing of all individuals and positions with salaries \$42,500 or over as of January 18, 1974:

Name	Occupation title	Salary
F. T. Klassen	Postmaster General	\$60,000
B. F. Bailar	SAPMG Administration SP	52,500
F. V. Dorsey	SAPMG Operations GP	52,500
D. F. Brown	SAPMG Employee and Labor Rltns	50,000
R. W. Nicholson	SAPMG Finance Group	50,000
C. C. Ulsaker	Regional Postmaster General	50,000
C. B. Gels	Regional Postmaster General	50,000
E. S. Brower	APMG Bulk Mail	47,500
P. N. Carlin	SAPMG Executive Functions	46,000
W. J. Cotter	Chief Inspector	46,000
L. A. Cox	General Counsel	46,000
W. F. Bolger	Regional Postmaster General	46,000
J. V. Conway	Executive Asst PMG PSTL AFFRS	45,000
W. D. Dunlap	APMG Customer Services Department	45,000
L. B. Farrell	APMG Labor Relations	45,000
F. G. Hulsen	Special Assistant	45,000
H. R. Larsen	Special Assistant	45,000
A. J. Schneider	APMG Research and Engineering	45,000
R. F. Gould	APMG Finance	44,500
J. F. Jones	DIR Logistics Department	43,500
J. C. Gildea	APMG Labor Relations	43,000
R. E. Isaacs	APMG Real Estate and Buildings Department	42,500
R. H. McCutcheon	APMG Procurement and Supply	42,500
F. X. Biglin	Regional Postmaster General	42,500
W. J. Sullivan	Regional Postmaster General	42,500

Mr. KLASSEN. When you start analyzing the performance of the Postal Service prior to reorganization and now, I think you must agree there has been a substantial change. I think you will recognize that we are moving more mail with fewer people.

It is true that we have had to raise prices. We have also been experiencing increased costs very extensively.

Someone has to pay that bill, either the user of the mail or the taxpayer.

RATIO OF SUPERVISORS TO WORKERS

Your question has to do with the ratio of management people to the rank and file employees. In many situations we have two extremes. We have small offices where we have three management and three workers. In a large post office like New York, we have far too many workers for the amount of supervision we have. I think supervision is very important in trying to bring this into some sort of reasonable balance. We must find a way of improving the productivity we get from people and operations.

A great many things have to be done to make this possible. It does not happen because we say "We want more out of you." We have to find some way of motivating them to make sure they see some real value for themselves in doing this.

I think many things done in the past couple of years have indicated to our rank and file employees the effort we are making will be to their interest and advantage.

Mr. ADDABBO. I wish for my sake, and the sake of the committee and those of us who have to answer the problems, you would expand further when you go over the record, but tell us now what specifically has been done. We are on the other side of the fence, and we get it in reverse: that very little has been done as far as the rank and file is concerned; that working conditions and everything else are not better.

[The information follows:]

POSTAL PEOPLE

Fiscal 1973 was a significant year for postal employees.

The Postal Service and four national postal unions reached a new labor agreement covering the next two years. A new Job Evaluation Program for supervisory, management and non-craft employees pegged grade levels to comparable work in the private sector. Veteran postal employees were given additional opportunities to climb career "ladders" as more emphasis was put on promotion from the ranks into all management levels. A series of Management Improvement Conferences involving thousands of managerial personnel was held across the country. A nationwide network of training centers in postal installations was implemented. And special honors were paid to all postal employees during a week-long observance that included issuance of a special set of Postal People stamps.

Labor Agreement

Of all these developments, perhaps the most significant was the new national agreement between the Postal Service and unions. The collective bargaining agreement was the second in Postal Service history. Extending from July 21, 1973 to July 20, 1975, it covers a period in which constructive approaches can be taken to solving the knotty labor-management problems of a vast enterprise dedicated to providing more efficient service to the American people.

The agreement provides for a \$700 a year pay increase effective July 21, 1973 and another \$400

a year effective July 21, 1974. It also provides for four possible cost-of-living pay adjustments during the two-year period. In addition, the Postal Service will twice increase its share of the premium payments for health and medical insurance—and in the second year of the contract will pay the entire premium for basic life insurance.

Another important part of the agreement has to do with the settlement of grievances. A new procedure was spelled out which promises to settle a large proportion of grievances at earlier stages, and in a cooperative manner. In a series of regional meetings, the Postal Service's top labor relations officers briefed field managers on the new contract and its administration.

Management Conferences

Beginning in February, 1973, a series of management meetings was held for the purpose of analyzing service problems and determining actions necessary to correct them. District Managers and others met in all day sessions to provide suggestions and means of improving service. The frank atmosphere of these meetings and the resultant suggestions, many of which were implemented immediately, did much to restore service. An important by-product of these meetings, at which the Postmaster General met with thousands of managers, was to establish a cohesiveness and unity of purpose which had not been achieved in the past.

Job Evaluation

Supervisory and management personnel learned a new set of initials during Fiscal 1973—JEP, which stands for Job Evaluation Program. Many grade-level changes were made as a result of the program. Most employees found their jobs "upgraded"—that is, they were deemed more valuable than in the previous grade structure. Persons holding those jobs received raises. Even a "downgrading," however, resulted in no reduction in pay.

The objective of JEP is a fairer grade structure, based on comparability with the private sector, a comparison mandated by the Postal Reorganization Act of 1970.

Opportunities for Advancement

As the JEP structure was being developed, the system for promotion on the basis of merit also got new impetus. Qualified craft employees were given new opportunities to advance into supervisory ranks, and in Fiscal 1973, thousands of employees did so, on the basis of their qualifications.

As more promotions are made on the basis of merit, a larger nucleus of managers with extensive postal experience is being formed. While craft employees are advancing to supervisory ranks, the higher rungs on the career ladder are being occupied by postal veterans.

The Postmaster selection process instituted in 1970 completely eliminated the former system of political appointments. Impartial Selection Boards selected 8,710 new postmasters between November 28, 1970, when the process was initiated, and the end of the fiscal year, all named on the basis of their qualifications alone.

The process of selecting postmasters from within the service opens more opportunities for career employees and enables the service to capitalize on the experience and leadership ability of its employees. In a large post office the promotion of a career supervisory employee into that position can create a number of other promotion opportunities for employees below that level.

Career Development

The Postal Service has a vast pool of dedicated employees who have accumulated years of experience in solving the problems of moving the mail. To develop the potential of this substantial body of expertise and to prepare the employees for more demanding assignments, the Postal Service has built a highly sophisticated training system. For the employees who take advantage of the system there are opportunities for advancement; for the Postal Service there is the opportunity to augment its supervisory and management structure at all levels by capitalizing on the experience of its most promising employees.

The training system includes a network of Postal Employee Development Centers (PEDC) with training facilities in most large postal installations. These centers provide all postal employees an opportunity to learn the skills that are needed in the Postal Service of today and will be needed in the Postal Service of tomorrow. The centers emphasize training of personnel to cope with present and future technological requirements, such as computer-run sorting systems. These systems require, for instance, large numbers of trained maintenance people.

At the PEDC's, employees receive "basic education" in subjects such as mathematics and electricity. They can then qualify for more advanced training at the PEDC's or at the Technical Center of the Training and Development Institute in Norman, OK. These qualified employees can get technical training in various fields, many of them related to maintenance of complicated postal machinery.

The big bulk mail plants, which will be coming on line in rapid succession through 1975, will be relying upon the trained technicians coming from the

Institute at Norman. As fiscal 1973 ended, for example, 40 maintenance supervisors, 24 electricians and 110 mechanics had been trained to help run the New York facility.

In addition to the technical training provided in Oklahoma, the Postal Service Training and Development Institute runs management programs in Bethesda, MD, and five regional field centers. Nearly 22,000 postmasters, supervisors and other managers received training in these centers during fiscal year 1973.

Even more impressive is the large percentage of postal employees improving their skills within their offices or through self-study courses at home. Some 500,000 were involved during the year in study programs which included: service standards, courtesy to the public, parcel post damage reduction and operation of letter sorting machines. Correspondence courses were completed by 23,000 employees.

Postal Week

During the year, the first set of stamps ever honoring U.S. postal employees was issued. The Postal People Stamp series, representing 10 postal occupations, was issued in 10 eight-cent stamps. Messages printed on the backs of the stamps—in ink approved by the Food and Drug Administration—explained each occupation to customers. A Postal Week was held in conjunction with the issuance of the stamps. Local post offices scheduled many special events during the week—tours, dedications, open houses, band concerts and the like. These events focused public attention on the vital work performed by postal people.

Working Conditions Improvement Program

Old facilities lacking proper heating, ventilation, lighting and other conditions basic to a productive work atmosphere will soon be a thing of the past. To correct these deficiencies, a Working Conditions Improvement Program was continued in 1973. This program had benefited more than 175,000 postal employees in the year ending June 30.

In fiscal 1973, a total of \$27 million in capital funds was committed to better working conditions and in addition \$5.3 million was charged to operating expenses.

A striking illustration of the success of the Working Conditions Improvement program is the Murray Hill Station Annex in Manhattan. Built around 1900 and designed to be a furniture warehouse, the Annex now provides comfortable working space for some 700 postal employees who handle approximately 2 million pieces of mail daily. Last year, \$750,000 was spent on renovating the building, which included the installation of air conditioning. Additionally, recessed lighting, new bathrooms, locker rooms and swing rooms were included in the remodeling and, of course, a general repainting.

U. S. POSTAL SERVICE

Personnel Summary

	1973 <u>Actual</u>	1974 <u>Est.</u>	1975 <u>Est.</u>
POSTAL SERVICE			
Total number of permanent positions	547,283	537,767	534,602
Full-time equivalent of other positions	96,743	98,549	95,124
Average paid employment	651,619	652,942	640,769
Average postal executive schedule grade	16.6	16.6	16.6
Average postal executive schedule	\$15,086	\$16,776	\$17,950
Average postal manager schedule grade	10.9	10.9	10.9
Average postal manager schedule salary	\$11,963	\$13,303	\$14,234
Average postal service grade	5.0	5.0	5.0
Average postal service salary	\$10,465	\$11,523	\$12,341
Average salary of ungraded positions	<u>\$11,584</u>	<u>\$12,592</u>	<u>\$13,410</u>

POSTAL RATE COMMISSION

Total number of permanent positions	63	98	98
Average paid employment	60	98	98
Average postal executive schedule grade	21.1	21.1	21.1
Average postal executive schedule salary	\$22,776	\$25,327	\$27,100
Average postal manager schedule grade	7.8	7.8	7.8
Average postal manager schedule salary	\$ 9,043	\$10,056	\$10,710

Average Salaries - Top Management

	1963	1966	1969	1971	1972	1973	1974
Postmaster General	\$25,000	\$35,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Senior Assistant Postmasters General..	...	...	...	...	...	52,500	52,500
Assistant Postmasters General	20,010	26,750	37,400	37,200	43,350	43,300	44,500
Percent increase over 1969					15.9%	15.8%	19.0%
Regional Directors (average)	18,800	25,000	26,620	35,000	...	...	...
Regional Postmasters General .....	...	...	...	...	45,000	45,500	45,500
Clerk/Carriers, Level 5 - Step 4	5,045	5,694	6,526	7,777	8,527	9,027	9,893
Percent increase over 1969 .....	...	...	...	...	30.7%	38.3%	51.6%
Average Salary - Total Postal Service (permanent positions)	6,309	6,598	7,593	9,358	10,322	11,068	N/A
Percent increase over 1969 .....	...	...	...	...	35.9%	45.8%	

Note: A comparison of 1974 average salaries over 1969 average salaries indicates a 51.59 percent increase for Clerks/Carriers, Level 5 - Step 4 employees, versus a 18.98 percent increase in salaries for Assistant Postmasters General.

MAN-YEARS

	Supervisors	Clerks, city carriers, drivers and special delivery messengers	Ratio
1973.....	41, 258	524, 318	12. 7/1
1974 estimate.....	42, 329	522, 209	12. 4/1
1975 estimate.....	42, 304	504, 191	11. 9/1

AREA WAGE DIFFERENTIAL

Mr. ADDABBO. One of the questions raised in my area, which I have raised from the first year of my service here with the Post Office and Civil Service legislative committee, which I thought was supposed to be corrected in negotiation of contracts, was area differential.

Has an area differential ever been discussed and ever been granted as far as wages are concerned?

Mr. KLASSEN. I will answer the last part of your comment first.

Yes, the area differential was discussed. Whether our thinking is right or wrong, we judge much of this from the experience of other people and our own experience. The union is anxious to have geographic differentials, at least in some locations. You must recognize if we are to do this, all the other locations will not necessarily take a wage cut just because we have a differential. We have a new floor from which we start.

The experience of organized labor and the experience of managements which have dealt with unions on a countrywide basis is that the year you create geographic differentials, everybody is happy for the moment; and the next year they come back and want to make them all the same again. In other words, they give you this seesaw business which economically destroys you.

In our last negotiations we had such a pitch from the union. For some of the reasons I have briefly given you, we resisted it. We know pretty well what they will be doing in the subsequent negotiations.

I point out again, these inequities are not real, and we have to raise the whole level.

You do not suppose that would change Moe Biller's attitude if we gave them more money than we gave everybody else?

Mr. ADDABBO. I do not know about this attitude. If we changed the attitude of people—

Mr. KLASSEN. It might change the people's attitude, but it would not change his attitude a bit.

Mr. ADDABBO. Actually, you were supposed to be negotiating. We know the cost of living is much higher in the city of New York than in some rural areas.

Mr. KLASSEN. I cannot quarrel with you on that, Congressman. This applies in many locations throughout the country.

There is nothing wrong with the principle of wage differential. I might ask you how come we never had wage differentials in the Postal Service. That is the way Congress chose to have it.

Mr. ADDABBO. One of the reasons the Postal Corporation was supported was that it could do what Congress could never do with 435

Members because each one had his own constituency to report back to. The Postal Corporation became an independent body to take it out of politics. If a worker is happy with his wages in a given area, you have a better system.

This is one of the reasons, I recall, that the postal organizations which originally opposed the corporation were willing to go along. They were told there would be a very good possibility that employment contracts would be negotiated on the local level, and it would only be on national questions that the national office would negotiate. There would be certain points that could be negotiated.

This is one of the things they were led to believe.

Mr. KLASSEN. I do not know who told you that. I was here from the inception of the reorganization program. Certainly, if I had advised Mr. Blount on that point, I would have advised to the contrary based on my long experience in business.

Mr. ADDABBO. You may have advised Mr. Blount to the contrary, but whoever was speaking on his behalf to the local unions was not advising to the contrary.

Mr. KLASSEN. I would also say to you if that is what Congress expected us to be able to do, they should also have given us the kinds of muscle and leverage so we can deal with people on that basis.

POSSIBLE SHUTDOWN OF SERVICE

The first time we take a strong stand and have a shutdown somewhere, which is what you have to do in industry to get things done that you want, we are dealing with a different problem than, say, the General Electric Co. Westinghouse can make its products.

Mr. ADDABBO. This is one of the problems you may be facing even now, as far as present working conditions are concerned. If the Congress is pressed hard enough, they may have to give the postal workers the right to press their own needs.

Mr. KLASSEN. I can also tell you if they did, the pressure we would get to settle the strike at any price would be so severe that we would never accomplish the things you are talking about.

Mr. ADDABBO. I agree with you.

Mr. KLASSEN. The country would never stand for it.

Mr. ADDABBO. Again, people feel their dreams were not lived up to. I might make one other suggestion as far as better productivity and work relationships.

PROMOTION AND TRANSFER

When you make a promotion, I think it sometimes would be better if the person being promoted would be shifted—I think we discussed this one time previously—to another station and not be put in charge of men he has been working with all along, because they know him too well. One day they are drinking coffee with him, and the next day he is telling them they cannot drink coffee at this hour.

The men are not happy. They know his failings as he knows their failings.

Mr. KLASSEN. There has been too much familiarity in the past for him to become a good supervisor. That is what you are saying. I am sure that is true.

We also get a great deal of resistance from our people to moving from one location to another, which is very discouraging to us. I think the attitude on that has improved.

Mr. DORSEY. Yes. We now promote more people from post office to post office than we ever did before, considerably more.

Mr. KLASSEN. I think that has come about only because they think we are playing square with them. They are not as suspicious of us as they were.

Mr. ADDABBO. It is not a question of whether you are suspicious of them. It is a question of there being certain suspicions built within the clique they have been working with.

Mr. KLASSEN. I do not quarrel with your point at all.

Mr. ADDABBO. I am giving it to you from the grass roots, again knowing what has happened at many stations. Because of this, many capable men and women do not want a promotion. They would rather work in-job and work overtime and make almost as much as a foreman is making, and not have the obligations and the problems and the headaches of a foreman.

These are some of the reasons for not getting the best qualified people making the request or seeking promotion. Again, this is something that I have lived with for many years. I know the people. I am just giving you grassroot information I have received, for you either to take or to use as you see fit.

Mr. KLASSEN. I share your views with you. We are trying to get people to do exactly what you are saying. It is not always that simple.

Mr. ADDABBO. I know.

The other question is that you will continue the same program as before—lease where it is cheaper to lease and purchase only where it is cheaper to purchase as far as vehicles are concerned?

Mr. DORSEY. Yes, sir. That is our policy.

Mr. ADDABBO. I have read your statement on vehicles and turn-around. We will expect that you would follow that program.

Thank you very much, Mr. Chairman. I have no further questions.

ARREARAGE IN RETIREMENT FUND

Mr. STEED. General, before we finish, there is an item that I think we ought to have some record on.

There is \$284,666,000 that covers the arrearages in the payment to the retirement fund. As you know, last year we took \$142 million, or half of that, out of the money appropriated to the Department, with the understanding that when and if the issue was settled by legislative action, we would make the correction.

Now we are faced this year with the Civil Service Commission needing the other half of that arrearage, which brings the whole amount up for some settlement.

It is my understanding that the legislation dealing with this has passed the House and has been pending in the other body for some several months. Do you have any late reading on the legislative situation as to whether we are going to get any help out of the Congress on this issue?

Mr. NICHOLSON. Yes, Mr. Chairman. We have had a number of discussions with the Office of Management and Budget and the Civil Service Commission, and the 3 parties agreed to a position that we submitted to the Senate as a proposed amendment to H.R. 29 which passed the House earlier.

We have no new information about any schedule of hearings or executive session the Senate committee may have to consider this proposed amendment. We are optimistic that inasmuch as what we have proposed in the form of an amendment seems generally to satisfy all points of view and all parties at interest, hopefully the Senate would receive this amendment, would enact this amendment, and the House would consider it and similarly adopt it.

The amendment provides that the Postal Service would assume the obligation for all of the unfunded liability of the civil service retirement fund traceable to postal employees since July 1, 1971. We would accept all of that responsibility, except we would be relieved of the first 3 years of payment for the series of payments involving those personnel who received pay increases prior to July 1, 1973.

That is the cost totaling some \$284 million; nearly \$285 million.

Mr. STEED. We would like to get this thing settled. We thought last year by the method we used of taking half of the amount out of your money and keeping the Civil Service Commission intact, and letting the rest of it stand in midair, we were buying a year's time that would bring a settlement of the issue.

I am somewhat concerned that time is running out. We have only a very few weeks left in which this matter can be legislatively adjudicated. We will do what we can—I hope you will, too—to see that we get this matter settled.

I do not think we can ever dispose of it to the satisfaction of anybody unless and until it is legislatively authorized.

Mr. NICHOLSON. That is correct.

Before we come back tomorrow, if we come back, we will make another check to see the position of the Senate committee on the adoption of the amendment.

Mr. ROBISON. This is our last chance to summarize the budget request. I think I will address this to Mr. Nicholson.

PUBLIC SERVICE ITEM

There are three items we are familiar with from past years. For the "Public service" item, for fiscal year 1975, the request is \$920 million, even. This amount is 10 percent, as I understand it, of the actual appropriation for this for 1971, and it is a fixed amount and is the same as last year's request for this purpose.

Mr. NICHOLSON. Yes, sir.

REVENUE FORGONE

Mr. ROBISON. The second major item is for "Revenue forgone on free and reduced rate mail." Here, the budget request for fiscal year 1975 is \$571,456,000.

I think we need, Mr. Chairman, a breakdown of sorts, or an analysis, of the fiscal year 1975 revenue forgone subsidy by class of mail, if Mr. Nicholson or the general can provide it for us.

Do you have something along those lines?

Mr. NICHOLSON. Yes, I have.

Mr. STEED. They are going to supply us material on the 10-percent public service for the record. They could supply this, too. It probably would be well for those two items to be included together.

Mr. ROBISON. The first one is fairly well fixed or is fixed, as I understand it. This one, however, is subject to computation, and we ought to have the basis on which you computed it, or no one will ever understand it.

You can provide that for the record.

Mr. NICHOLSON. All right.

TRANSITIONAL EXPENSES

Mr. ROBISON. The third item is for the so-called transitional expenses which, for fiscal year 1975, are \$61,151,000. This is more or less fixed, as I understand it, but is also subject to some computation.

If you would provide, for the record, an analysis of how you computed this figure, that also would be helpful.

Mr. NICHOLSON. All right, sir.

[The information follows:]

Estimated Revenue Forgone Appropriations, FY 1975
(\$ millions)

Class of Service (1)	Phasing appropriations (4)	Continuing appropriations (5)	Total appropriations (6)
Second class			
In-county	\$ 21.4	\$ 9.9	\$ 31.3
Non-profit	48.3	36.3	84.6
Classroom	0.6	3.9	4.5
Regular-rate	<u>129.7</u>	<u>2.0</u>	<u>131.7</u>
Total	200.0	52.1	252.1
Controlled circulation	8.2	...	8.2
Third class:			
Bulk non-profit	33.7	205.6	239.3
Fourth class:			
Special rate	49.0	...	49.0
Library rate	<u>5.6</u>	<u>10.0</u>	<u>15.6</u>
Total	54.6	10.0	64.6
Free for blind, etc.	<u>...</u>	<u>7.3</u>	<u>7.3</u>
GRAND TOTAL	\$296.5	\$275.0	\$571.5

Appropriation of funds for the previous nonfunded liabilities of the Post Office Department are authorized by 39 U. S.C. 2004. The 1975 request of \$61,151,000 includes \$30,096,000 to cover payments to the Employees Compensation Fund for injuries to postal employees which occurred prior to July 1, 1971 with \$55,000 to cover reimbursing the Postal Service for 1974 payments above amounts appropriated. The \$30,096,000 is predicated on the compensation paid to postal employees by the Department of Labor for FY 1972.

The balance of the amount requested for nonfunded liabilities, \$31,000,000, is to cover one-twelfth of the earned and unused annual leave due postal employees on June 30, 1971 from the former Post Office Department. The computation of this amount is computed as follows:

Employees Accumulated Annual Leave
Post Office Department FY 1975
(dollars in thousands)

Earned and unused annual leave due postal employees on June 30, 1971 from the former Post Office Department	\$372,976
One-twelfth of \$372,976.....	31,081

Accumulated Totals:

<u>Fiscal Year</u>	<u>Unfunded</u>	<u>Appropriated</u>	<u>Total</u>
1971 (ending)	372,796	...	...
1972 actual	341,796	31,000	31,000
1973 actual	310,769	31,000	62,000
1974 estimate	279,769	31,000	93,000
1975 estimate	248,769	31,000	124,000

MAIL SERVICE FOR OTHER AGENCIES

Mr. ADDABBO. Could we have for the record a listing of the requests of every agency and department for 1974 and the requests being made by every department for 1975?

Mr. NICHOLSON. For what purpose?

Mr. ADDABBO. Mail service requirements. In other words, in every budget we are getting from each of the departments, they are asking for a number of dollars for post office postage due. Could you give us a breakdown of what the request was for 1974 from each agency, and what the request is for 1975?

Mr. NICHOLSON. Yes. We received a request from the chairman for a listing of, I believe, just about what you described. We will be supplying that to the chairman and, of course, it will be available to you.

[The information follows:]

FEDERAL GOVERNMENT REIMBURSEMENTS TO THE USES UNDER THE PENALTY MAIL PROGRAM

Agency	Billing FY 1973	Provisional Billing FY 1974
Action	\$ 758,780	\$ 750,000
Administrative Conference of the United States	480	480
Advisory Commission on Intergovernmental Relations	7,670	7,090
Agency for International Development	370,000	270,000
Department of Agriculture	32,000,425	34,486,984
American Battle Monuments Commission	3,300	3,300
American Shipbuilding; Commission on	1,270	7,399
Appalachian Regional Commission	20,000	25,000
Administrative Office of the United States Courts	1,626,000	1,520,000
Advisory Committee on Federal Pay	100	100
Ad Hoc Advisory Group for Puerto Rico (New in FY 74)	-	200
Architect of the Capitol	5,000	5,000
Atomic Energy Commission	628,744	634,647
Aviation Advisory Commission (Terminated in FY 73)	1,000	-
Botanic Garden	196	200
Commission on Executive, Legislative & Judicial Salaries -(6 months FY 1973)	100	-
Commission for Purchase of Products & Services of the Blind and Severely Handicapped	1,000	1,000
Cabinet Committee on Education (Terminated in FY 1973)	500	-
Cabinet Committee on Opportunity for Spanish Speaking People	4,800	4,800
Central Intelligence Agency	67,769	57,611
Civil Aeronautics Board	55,000	58,645
Cost Accounting Standards Board	2,835	12,160

Agency	Billing FY 1973	Provisional Billing FY 1974
Civil Rights; Commission on	\$ 24,000	\$ 24,000
Civil Service Commission	1,615,000	2,235,000
Council of Economic Advisors	1,500	1,800
Department of Commerce	4,359,369	5,148,351
Council on Environmental Quality	6,000	8,000
Consolidated Federal Law Enforcement Training Center	1,100	1,400
Commission on Organization of the Government for the Conduct of Foreign Policy (New in FY 73)	100	750
Coast of Living Council	70,459	113,591
DOD-Department of the Air Force	28,732,522	27,000,000
Department of the Army	53,125,161	43,742,000
Department of the Navy	37,492,893	23,026,000
U. S. Marine Corps (Included in Navy in FY 73)	-	5,249,000
Defense Civil Preparedness Agency	100,050	100,000
Defense Contract Audit Agency	174,456	178,000
Defense Intelligence Agency	510,810	404,000
Defense Nuclear Agency	179,988	180,000
Office of Assistant Secretary of Defense	109,395	110,000
United States Armed Forces Institute	694,991	540,000
Defense Supply Agency	15,531,868	14,265,000
Defense Mapping Agency (New account in FY 74)	-	1,760,000
Defense Communications Agency	248,316	248,000
Defense Investigative Agency	157,073	275,000
Office of Information for the Armed Forces	278,131	455,000
Joint Chiefs of Staff	49,780	60,000

<u>Agency</u>	<u>Billing FY 1973</u>	<u>Provisional Billing FY 1974</u>
District of Columbia Court of Appeals	\$ 4,884	\$ 4,884
Environmental Protection Agency	1,729,940	1,800,000
Equal Employment Opportunity Commission	250,000	350,000
Farm Credit Administration	41,644	40,000
Federal Communication Commission	139,800	206,000
Federal Deposit Insurance Corporation	230,621	168,000
Federal Energy Regulation Study (New in FY 74)	-	100
Federal Reserve System; Board of Governors of the	324,211.49	275,182
Federal Home Loan Bank Board	386,594	510,000
Federal Maritime Commission	18,230	20,000
Federal Mediation and Conciliation Services	32,175	38,000
Federal Power Commission	89,279	97,994
Federal Trade Commission	376,124	400,000
Fine Arts; Commission of	450	495
Foreign Claims Settlement Commission of the United States	600	600
General Accounting Office	256,626	265,259
General Services Administration	9,703,933.31	8,996,888
Government Printing Office	12,882,311	23,716,700
Great Lakes Basin Commission	1,343	1,343
Health, Education, and Welfare; Department of	22,274,595	33,342,788
Housing and Urban Development; Department of	2,819,574	2,700,000

<u>Agency</u>	<u>Billing FY 1973</u>	<u>Provisional Billing FY 1974</u>	<u>FY 1975</u>
	\$	\$	
Indian Claims Commission	1,152	1,504	
International Boundary and Water Commission	7,000	7,500	
Interior; Department of the	3,776,975.06	3,740,635	
Interstate Commerce Commission	174,105	178,000	
Jobs for Veterans	16,065	16,123	
John F. Kennedy Center for the Performing Arts	24,192	23,510	
Justice; Department of	6,886,708	7,632,187	
Labor; Department of	26,839,392	27,106,912	
Library of Congress	908,459	767,000	
Marijuana and Drug Abuse; Commission on (Terminated FY 73)	1,050		250
Marine Mammal Commission (New in FY 74)			860
Missouri River Basin Commission (New in FY 73)	300		
National Commission on Productivity	400		1,000
National Council of Indian Opportunity	1,226		771
National Commission on Materials Policy	315		1,200
National Advisory Council on Economic Opportunity	750		1,000
National Aeronautics and Space Administration	1,929,756		2,000,000
National Capital Housing Authority	9,871		10,000
National Capital Planning Commission	1,000		1,000
National Commission on Consumer Finance (Terminated in FY 73)	750		-
National Commission on Fire Prevention and Control (Terminated in FY 73)	1,381		-

Agency	Billing FY 1973	Provisional Billing FY 1974	FY 1975
National Gallery of Art	\$ 41,183	\$ 40,000	
National Labor Relations Board	198,900	200,000	
National Mediation Board	7,755	7,755	
National Science Foundation	265,033	331,000	
National Security Council	700	1,200	
National Water Commission	500	1,000	
National Commission on State Workmen's Compensation Leads (Terminated FY 73)	500	-	
New England River Basins Commission	3,549	5,601	
National Foundation for Arts and Humanities	20,000	40,000	
National Credit Union Administration	51,000	70,721	
National Commission on Libraries and Information Science (New in FY 73)	900	900	
National Policy Toward Gambling; Commission on the Review of the (New in FY 74)	-	500	
National Commission for the Review of Federal and State Laws Relating to Wiretapping & Electronic Surveillance (New in FY 74)	-	150	
Office of Technology Assessment (New in 1974)	-	1,000	
Occupational Health & Safety Commission	11,000	14,077	
Office of Economic Opportunity	353,000	193,536	
Office of Management and Budget	67,953	72,231	
Office of the Special Representative for Trade Negotiations	3,600	4,638	
Office of Emergency Preparedness (Terminated in FY 73)	229,850	-	
Overseas Private Investment Corporation	42,170	36,492	
Office of Telecommunications Policy	3,000	3,000	

Agency	Billing FY 1973	Provisional Billing FY 1974
Postal Rate Commission	\$ 2,585	\$ 1,693
Panama Canal Company	15,500	15,500
Railroad Retirement Board	371,876	321,272
Railroad Retirement; Commission on (Terminated FY 73)	1,050	
Renegotiation Board	9,000	9,000
St. Lawrence Seaway Development Corporation	12,631.81	5,020
Securities and Exchange Commission	255,000	235,000
Selective Service System	1,205,500	421,750
Small Business Administration	642,600	690,000
State; Department of	1,572,495	1,641,435
Special Action Office for Drug Abuse Prevention	2,956	9,397
Subversive Activities Control Board (Deactivated in FY 73)	184	-
Superior Court of the District of Columbia	4,000	4,000
Smithsonian Institution	240,000	240,000
Supreme Court of the United States	14,000	14,000
Tennessee Valley Authority	374,000	340,000
Transportation; Department of	4,812,625	5,077,261
Treasury--Office of Administrative Services	65,479	65,480
Bureau of Customs	550,039	503,000
Bureau of Accounts	41,427,611	42,756,000
Bureau of the Mint	7,486,000	6,317,840
Bureau of Public Debt	5,500,000	6,266,000

Agency	Billing FY 1973	Provisional Billing FY 1974	FY 1975
Treasury--Internal Revenue Service	\$24,628,800	\$29,666,000	
Office of the Comptroller of the Currency	207,937	215,000	
Office of International Affairs	3,300	4,000	
Secret Service	60,000	60,000	
Treasurer of the United States	100,000	82,327	
Economic Stabilization Activity	498,132	604,000	
Bureau of Engraving & Printing	46,205	88,561	
Bureau of Alcohol, Tobacco & Firearms	130,000	300,000	
United States Court of Claims	3,324	5,181	
United States Soldiers' & Airmen's Home	3,400	3,540	
United States Tariff Commission	20,000	33,000	
United States Tax Court	16,000	19,000	
United States Customs Court	1,685	1,650	
United States Court of Customs & Patent Appeals	1,155	1,300	
United States Court of Military Appeals	2,206	573	
Upper Mississippi River Basin Commission (New in FY 73)	300	500	
Veterans Administration	11,998,473	12,052,000	
Water Resources Council	9,888	9,888	
TOTAL	\$376,758,212.67	\$386,497,162	\$409,839,000

Mr. STEED. General Klassen, I am sure you are familiar with the General Accounting Office report dated March 20, 1974, on the subject of problems affecting mail service and improvement actions being taken. We will include the first three pages of that report, called the Digest.

In the back they say you have made what they term a partial response to this. For the record, if you would like to beef up your comment about what they have said here, we would appreciate it. You may include any material in their conclusions, and then add to them to cover the situation more completely.

[The information follows:]

USPS COMMENTARY ON GAO REPORT "PROBLEMS AFFECTING MAIL SERVICE AND IMPROVEMENTS BEING TAKEN"

Late in 1973, a draft copy of the GAO report entitled "Problems Affecting Mail Service and Improvements Being Taken," was presented to the U.S. Postal Service for review. Comments provided to the draft report were favorably received and the essence of each included in the report to the Congress.

Attached for the record is a copy of Postmaster General E. T. Klassen's response to the draft report highlighting the constructive and professional nature of this report's observations.

THE POSTMASTER GENERAL,
Washington, D.C., December 11, 1963.

Mr. JOHN LANDICHO,
Associate Director, General Government Division,
U.S. General Accounting Office, Washington, D.C.

DEAR MR. LANDICHO: Thank you for the opportunity to review your proposed report to the Congress entitled "Action Being Taken To Improve Mail Service."

The report deals primarily with a period in late 1972 and early 1973 when a number of factors coming together caused a temporary decline in the quality of our service.

As your report notes, the Postal Service has taken aggressive action to correct these matters and we are pleased that you find that our actions have been responsive to the problems your report discusses.

We would also like to express our appreciation for the help your staff has given us throughout the course of their inquiries. Their informal briefings on their findings at various offices and their constructive suggestions were most useful to us in our direction of remedial actions.

Sincerely,

E. T. KLASSEN.

Mr. STEED. I want to express our appreciation to you. You have been very helpful, and this has been one of the most informative hearings we have ever had. I am pleased with it.

I am glad, for the sake of our staff director here, that he finally has lived to see the day when the postal budget agrees that the answer to all problems is not more money and more people. You have fewer people. The only thing we have left to worry about now is the dollar side of it, and then he would be completely happy.

We will take advantage of the fact that all the several members of the committee who are interested in this subject have had their time at bat to relieve you now of further need to give us of your time. This concludes the hearing. We hope having a free day tomorrow will be as helpful to you as it is to us.

Mr. KLASSEN. Thank you very much, Mr. Chairman. We appreciate your cooperation and your patience with us.

[Comptroller General opinion B-114979 and the justifications will be inserted in the record at this point:]



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

E-114874

March 8, 1974

The Honorable Tom Steed, Chairman
Subcommittee on Treasury, Postal Service,
and General Government
Committee on Appropriations
House of Representatives

Dear Mr. Chairman:

Our opinion has been requested whether a proposed supplemental appropriation for the Postal Service is authorized by 39 U.S.C. 2004.

That portion of the proposed appropriation in question is "for an additional amount for 'Payment to the Postal Service Fund,'" in part--

"* * * to provide \$235,922,000 for revenue lost as a result of the delay in the postal rate increase from January 5, 1974, to March 2, 1974, pursuant to the Cost of Living Council order dated December 21, 1973. * * *"

Budget of the United States Government, Fiscal Year 1975, Appendix, 908, 1023. The background relative to this proposal is set forth below.

Chapter 36 of title 39, United States Code, provides in section 3621:

"Except as otherwise provided, the Governors are authorized to establish reasonable and equitable classes of mail and reasonable and equitable rates of postage and fees for postal services in accordance with the provisions of this chapter. Postal rates and fees shall be reasonable and equitable and sufficient to enable the Postal Service under honest, efficient, and economical management to maintain and continue the development of postal services of the kind and quality adapted to the needs of the United States. Postal rates and fees shall provide sufficient revenues so that the total estimated income and appropriations to the Postal Service will equal as nearly as practicable total estimated costs of the Postal Service. For purposes of this section, 'total estimated costs' shall include (without limitation) operating expenses, depreciation on capital facilities and equipment, debt service (including interest, amortization of debt discount

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and expense, and provision for sinking funds or other retirements of obligations to the extent that such provision exceeds applicable depreciation charges), and a reasonable provision for contingencies."

In accordance with this section and subsequent provisions of chapter 36, the Postal Service had submitted to the Postal Rate Commission suggested rate increases designed to meet increased costs resulting largely from its July 1973 collective bargaining agreement.

The Postal Service planned to implement temporary rate increases, in the absence of action by the Rate Commission, on January 5, 1974. However, on December 21, 1973, the Cost of Living Council ordered a 15 percent reduction in the proposed temporary rate increases. The reduction ordered by the Cost of Living Council was effected by postponing the temporary rate increases until March 2, 1974. The proposed supplemental appropriation represents the amount of revenues lost during the two-month delay, less the amount of prior appropriations attributable to this period.

The statutory provision asserted to authorize the proposed appropriation, 39 U.S.C. 2004, provides:

"Such sums as are necessary to insure a sound financial transition for the Postal Service and a rate policy consistent with chapter 36 of this title are hereby authorized to be appropriated to the Fund without regard to fiscal-year limitation."

The Postal Service maintains that both criteria specified in section 2004 are met in this case. First, it is said that the appropriation would avoid resort to borrowing. Since borrowing to offset lost revenues would make postal bond offerings increasingly vulnerable to rejection or imposition of onerous interest rates, an appropriation in the alternative would serve "to insure a sound financial transition for the Postal Service." Secondly, it is said that the appropriation would serve the policy of chapter 36 of title 39, since the Cost of Living Council order has undermined the "break-even" requirement thereof. Further, a reduction of services to compensate for the delay in temporary rate increases would be inconsistent with the mandate also contained in chapter 36 that services be maintained sufficient in kind and quality to meet national needs.

The Postal Service recognizes that past appropriations under 39 U.S.C. 2004 have been made in connection with the transition from the Post Office Department structure to that of the Postal Service, i.e., to cover liabilities incurred under the former Post Office Department structure. However, it contends that the term "transition" as used in section 2004 refers to the entire period of transition on the part of the Postal Service

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to a fully self-sustaining status. Finally, emphasizing congressional recognition of the need for gradualism in achieving self-sustaining status, section 2004 is construed as an all-purpose authorization designed to cover a broad range of emergency and unforeseen circumstances arising during this transition period.

The foregoing assertions and conclusions on the part of the Postal Service appear to accord almost unlimited application to 39 U.S.C. 2004. We are aware of nothing in the legislative history of the Postal Reorganization Act which specifically contradicts any of these assertions and conclusions. In fact, the House Report on the Act describes section 2004 in terms of the "transition to a self-sustaining Postal Service," and also emphasized the need for "reasoned gradualism" in this transition. See H. Rept. No. 91-1104, 1970 U.S. Code, Cong. & Admin. News 3649, 3655, 3690. At the same time, we believe there must be reasonable limitations upon the use of section 2004. In this regard, the following caveat from the House Report seems particularly relevant:

"The mandate that the Postal Service must be self-supporting is essential if postal affairs are to be conducted with reasonable economy and efficiency. So long as postal management operates with a general awareness that congressional appropriations are always available, within some uncertain limit, to make good any short falls of revenue or overruns of costs, there is little real incentive to make the best possible use of resources and efficiency is sure to be more honored in the speech [sic] than in the observance. * * * Id. at 3665.

In view of the background facts discussed previously, the Postal Service seems to have done everything within its power to recover the increased operating costs through rate increases rather than by reliance upon appropriations. Its inability to fully accomplish this objective is apparently attributable to factors beyond its direct control.

First, the Postal Service duly submitted suggested rate increases to the Postal Rate Commission. The failure of the Rate Commission to submit recommendations on the rates suggested by the Postal Service within 90 days permitted the imposition of temporary increases, but at the same time has delayed the fixing of permanent rates. The process of determining permanent rates would, of course, have resolved any issues concerning the appropriateness of the Postal Service calculations and projections. Moreover, had permanent rates been established, appropriations for revenues foregone under such rates would clearly be authorized by 39 U.S.C. 2401(c).

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Secondly, the Postal Service duly presented its case before the Cost of Living Council, but had no control over the Council's disposition. It is notable that, as it turned out, lack of timely action by the Postal Rate Commission also contributed to the Cost of Living Council's disposition, since the Council held that permanent postal rates would be exempt from price controls.

We recognize that the question of whether a proposed appropriation is or is not authorized is a matter solely for determination by the House of Representatives under its own rules of procedure. As stated above, the key consideration involved is whether the authorization can be considered to be provided under section 2004 in terms of "to insure a sound financial transition for the Postal Service."

The legislative history does not provide any specific guidelines as to what transitional appropriations the Congress intended to authorize by 39 U.S.C. 2004 nor as to the duration of the transition period. While admittedly arguments can be made for a contrary view, we think the House of Representatives, because of the special circumstances involved in the delay in obtaining timely action on the postal rate increases, could reasonably consider the proposed appropriation as being authorized by 39 U.S.C. 2004. We recommend, however, that clarifying legislation be enacted especially as to the duration of the transition period. Otherwise, the question of authorization of appropriations could well arise in the future, depending upon when the Postal Service can be deemed to be self-sustaining.

Sincerely yours,

ELMER B. STAATS

Comptroller General
of the United States

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 foregone 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 as of June 30, 1971, pursuant to 39 U.S.C. 2004, **[\$1,373,000,000]** **\$1,552,607,000**, of which \$142,333,500 shall be available only for transfer to the Civil Service Retirement and Disability Fund].

[For an additional amount for "Payment to the postal service fund", \$105,000,000.] (*Postal Service Appropriation Act, 1974; Supplemental Appropriations Act, 1974.*)

Program and Financing (in thousands of dollars)

Identification code 32-10-1001-0-1-505	1973 actual	1974 est.	1975 est.
Program by activities:			
Payment to the Postal Service Fund for:			
Previous nonfunded liabilities of the			
Post Office Department.....	32,539	61,000	61,151
Public service costs.....	920,000	920,000	920,000
Free and reduced-rate mail.....	457,461	497,000	571,456
10 Total payments to the Postal Service Fund (costs—obligations) (object class 41.0).....	1,410,000	1,478,000	1,552,607
Financing:			
40 Budget authority (appropriation).....	1,410,000	1,478,000	1,552,607
Relation of obligations to outlays:			
71 Obligations incurred, net.....	1,410,000	1,478,000	1,552,607
90 Outlays.....	1,410,000	1,478,000	1,552,607

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-rate mail. The \$61,151 thousand requested for previously unfunded liabilities of the former Post Office Department provides \$30,096 thousand to cover payments to the Employees' compensation fund for 1975 for injuries to postal employees which occurred prior to July 1, 1971, with \$55 thousand to cover reimbursing the Postal Service for 1974 payments above amounts appropriated; and \$31 million to cover one-twelfth of the \$372,796,423 in earned and unused annual leave balances due postal employees on June 30, 1971, from the former Post Office Department.

Public enterprise funds:

POSTAL SERVICE FUND

Program and Financing (in thousands of dollars)

Identification code 32-10-4020-0-3-505	1973 actual	1974 est.	1975 est.
Program by activities:			
Direct operating costs, funded:			
1. Services at small post offices.....	3,560,716	-----	-----
2. Window and collection services—large offices..	315,775	-----	-----
3. Delivery services—large offices.....	773,780	-----	-----
4. Processing of mail—large offices.....	2,768,876	-----	-----
5. Transportation.....	705,805	-----	-----
6. Law enforcement.....	80,703	-----	-----
7. Research, development, and engineering.....	55,212	-----	-----
8. Administration.....	546,823	-----	-----
9. Logistical postal support..	895,966	-----	-----
10. Conversion to Government fiscal year, including additional day....	36,669	-----	-----
Total direct operating costs, funded..	9,740,325	-----	-----
Change in selected resources (undelivered orders).....	39,500	-----	-----
Total direct operating obligations.....	9,779,825	-----	-----
Reimbursable program:			
Operating services.....	86,798	-----	-----
Total operating obligations..	9,866,623	-----	-----
Capital outlay, funded:			
7. Research, development, and engineering.....	167	-----	-----
8. Logistical postal support, capital investment.....	381,002	-----	-----
Total capital outlay, funded.....	381,169	-----	-----
Change in selected resources (undelivered orders).....	421,727	-----	-----
Total capital outlay obligations.....	802,896	-----	-----
Adjustment for prior year obligations:			
Workmen's compensation....	1,539	-----	-----
Other transactions.....	-19,204	-----	-----
Employees' earned and unused annual leave.....	31,000	-----	-----
10 Total obligations.....	10,682,854	-----	-----
Financing:			
Receipts, other income, and reimbursements from:			

Public enterprise funds—Continued

POSTAL SERVICE FUND—Continued

Program and Financing (in thousands of dollars)—Continued

	1973 actual	1974 est.	1975 est.
11	Federal funds:		
	Receipts from other Government agencies for mail and other postal services		
	-403,952	-----	-----
	Other income and reimbursements		
	-93,539	-----	-----
	Public service and transitional subsidies		
	-1,410,000	-----	-----
	Receipts from investments		
	-80,937	-----	-----
	Drawdown from Treasury for prior year transactions		
	-1,399	-----	-----
14	Non-Federal sources:		
	Mail and other postal services		
	-7,937,663	-----	-----
	Other income and reimbursements		
	-11,825	-----	-----
	Receipts from investments		
	-25,000	-----	-----
	Unobligated balance available, start of year:		
21.48	Authority to spend agency debt receipts		
	-9,737,430	-9,018,891	-----
21.98	Fund balance		
	-478,450	-479,565	-----
	Unobligated balance available, end of year:		
24.48	Authority to spend agency debt receipts		
	9,018,891	-----	-----
24.98	Fund balance		
	479,565	-----	-----
	Unobligated balance lapsing (available amounts withdrawn from the Government's budget):		
25.48	Authority to spend agency debt receipts		
	-----	9,018,891	-----
25.98	Fund balance		
	-----	479,565	-----
	Adjustment in unobligated balance		
	-1,115	-----	-----
	Budget authority		
	Relation of obligations to outlays:		
71	Obligations incurred, net		
	718,539	-----	-----
	Obligated balance, start of year:		
72.48	Authority to spend agency debt receipts		
	12,570	731,109	-----
72.98	Fund balance		
	1,342,690	1,209,348	-----
	Obligated balance, end of year:		
74.48	Authority to spend agency debt receipts		
	-731,109	-----	-----
74.98	Fund balance		
	-1,209,348	-----	-----
	Obligated balance adjusted (amount withdrawn from the Government's budget):		
77.48	Authority to spend agency debt receipts		
	-----	-731,109	-----
77.98	Fund balance		
	-----	-1,209,348	-----
	Adjustment in expired accounts (prior years) net		
	23,377	-----	-----
90	Outlays		
	156,719	-----	-----

Public enterprise funds—Continued

POSTAL SERVICE FUND—Continued

Program and Financing (in thousands of dollars)—Continued

	1973 actual	1974 est.	1975 est.
In accordance with the reorganization mandated under the Postal Reorganization Act, the President under section 2009 of title 39, United States Code, has directed that starting with 1974 the operations of the new independent establishment will be excluded from the U.S. budget. This step recognizes the independent status of the new U.S. Postal Service and represents the completion of its budgetary transition from the former Post Office Department. The transactions of the Postal Service fund and the assets and liabilities of the U.S. Postal Service will appear in Part IV of the Appendix under Annexed Budgets and Other Material.			
1973 CONVERSION TRANSACTIONS			
[In thousands of dollars]			
Budget resources:			
Obligated.....		1,940,457	
Unobligated borrowing authority.....		9,018,891	
Other resources, less current liabilities.....		126,639	
Unobligated fund balance.....		479,565	
Subtotal.....		11,565,552	
Debt outstanding.....		-250,000	
Total.....		11,315,552	
Consisting of:			
Equity.....		1,565,552	
Undrawn borrowing authority.....		9,750,000	
Total.....		11,315,552	

Revenue and Expense (in thousands of dollars)

	1973 actual	1974 est.	1975 est.
Revenue and operating receipts:			
Mail and service revenues.....	8,341,615		
Investment income.....	105,937		
Other income.....	15,224		
Revenue other than subsidies.....	8,462,776		
Receipts from appropriations ¹	1,377,461		
Total revenue and operating receipts..	9,840,237		
Operating expenses:			
Payable from Postal Service Fund, funded:			
Services at small post offices.....	3,560,716		
Window and collection services—large offices.....	315,775		
Delivery services—large offices.....	773,780		
Processing of mail—large offices.....	2,768,876		
Transportation.....	705,805		
Law enforcement.....	80,703		
Research, development, and engineering.....	55,212		

Public enterprise funds—Continued

POSTAL SERVICE FUND—Continued

Revenue and Expense (in thousands of dollars)—Continued

	1973 actual	1974 est.	1975 est.
Administration.....	546,823	-----	-----
Logistical postal support.....	895,966	-----	-----
Conversion to Government fiscal year including additional day.....	36,669	-----	-----
Total operating expenses (payable from Postal Service Fund, funded).....	9,740,325	-----	-----
Other operating expenses (nonfunded):			
Depreciation and amortization of fixed assets.....	94,242	-----	-----
Expendable equipment and chargeoffs.....	18,580	-----	-----
Amortization of debt discount and expense.....	54	-----	-----
Total other operating expenses (non- funded).....	112,876	-----	-----
Total operating expenses (deduct).....	9,853,201	-----	-----
Net operating loss for year.....	-12,964	-----	-----
Nonoperating income or loss (-):			
Proceeds from sale of assets.....	3,342	-----	-----
Net book value of assets.....	-3,342	-----	-----
Net loss for the year.....	-12,964	-----	-----

¹ Excludes appropriations under 39 U.S.C. 2004 for POD liabilities in 1973 of \$32,539 thousand. The amount includes (in thousands of dollars):

Public service costs.....	920,000
Free and reduced-rate mail.....	457,461
Total.....	1,377,461

Financial Condition (in thousands of dollars)

	1972 actual	1973 actual	1974 est.	1975 est.
Assets:				
Current assets:				
Cash ¹	461,481	596,875	-----	-----
Investments.....	1,370,221	1,089,913	-----	-----
Accounts receivable:				
U.S. Government agencies.....	118,084	183,263	-----	-----
Foreign countries.....	29,520	31,363	-----	-----
Interest.....	55,601	24,653	-----	-----
Other.....	5,627	6,145	-----	-----
Total.....	208,832	245,424	-----	-----
Less allowance.....	6,572	5,383	-----	-----
Accounts receivable, net.....	202,260	240,041	-----	-----
Supplies, advances, and prepayments.....	25,867	23,847	-----	-----
Total current assets.....	2,059,829	1,950,676	-----	-----

Public enterprise funds—Continued

POSTAL SERVICE FUND—Continued

Financial Condition (in thousands of dollars)—Continued

	1972 actual	1973 actual	1974 est.	1975 est.
Other assets.....	3,851	3,825	-----	-----
Property and equipment, net.....	1,656,209	1,924,783	-----	-----
Total assets.....	3,719,889	3,879,284	-----	-----
Liabilities:				
Current liabilities:				
Outstanding postal money orders.....	297,627	396,695	-----	-----
Accrued payroll.....	153,964	169,121	-----	-----
Payroll taxes and civil service retirement, in- cluding amounts with- held.....	119,786	114,940	-----	-----
Workmen's compensa- tion ²	41,028	28,561	-----	-----
Accounts payable to other U.S. Govern- ment agencies.....	202,833	179,645	-----	-----
Other accounts payable and accrued expenses..	205,978	163,375	-----	-----
Prepaid permit mail and box rentals.....	101,713	115,328	-----	-----
Estimated prepaid post- age in the hands of the public.....	315,000	316,000	-----	-----
Total current lia- bilities.....	1,437,929	1,483,665	-----	-----
Long-term debt:				
U.S. Postal Service gross revenue bonds..	250,000	250,000	-----	-----
Reserves:				
Workmen's compensa- tion ²	92,313	150,208	-----	-----
Catastrophe insurance..	2,500	5,000	-----	-----
Employees' accumulated annual leave ³	388,841	424,859	-----	-----
Total reserves.....	483,654	580,067	-----	-----
Total liabilities.....	2,171,583	2,313,732	-----	-----
Government equity:				
Undelivered orders:⁴				
Operations.....	68,133	88,851	-----	-----
Capital investment.....	714,536	1,136,263	-----	-----
Total undelivered orders.....	782,669	1,225,114	-----	-----
Unobligated balances:				
Authority to spend agency debt receipts..	9,737,430	9,018,891	-----	-----
Total unexpended balance.....	10,520,099	10,244,005	-----	-----

Public enterprise funds—Continued

POSTAL SERVICE FUND—Continued

Financial Condition (in thousands of dollars)—Continued

	1972 actual	1973 actual	1974 est.	1975 est.
Undrawn borrowing authorizations.....	-9,750,000	-9,750,000	-----	-----
Total funded balance.....	770,099	494,005	-----	-----
Receivables established for future appropriation net of amounts due Treasury.....	32,539	28,122	-----	-----
Investment in property, equipment, and inventories, net.....	745,668	1,043,425	-----	-----
Total Government equity.....	1,548,306	1,565,552	-----	-----

Analysis of Changes in Government Equity (in thousands of dollars)

	1972 actual	1973 actual	1974 est.	1975 est.
Non-interest bearing capital:				
Start of year.....	1,685,717	1,548,306	-----	-----
Transfers and prior year adjustments ³	38,024	30,210	-----	-----
Net income or loss (-) for the year.....	-175,435	-12,964	-----	-----
Total.....	1,548,306	1,565,552	-----	-----

¹ The amount of \$596,875 thousand reported as post-closing unexpended cash balance as of June 30, 1973, represents the balance on the audited financial statements of the U.S. Postal Service. It is \$7 thousand lower than the unexpended cash balance on the Treasury books. The net difference of \$7 thousand is made up of a difference of \$11 thousand decreased outlays between what was reported by the Corps of Engineers to the Treasury and to U.S. Postal Service. This was offset by a \$4 thousand discrepancy in the amount reported to U.S. Postal Service by Treasury in the Special Agent account.

² Workmen's compensation amount reported under current liabilities for 1972 includes liabilities of \$33,173 thousand funded in fiscal years 1972 and 1973 through appropriations (for the cost of injuries occurring prior to June 30, 1971). The balance of \$7,855 thousand in 1972 and the amount reported for fiscal year 1973 are being funded 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.

³ 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 is being funded over a period of 12 years through the appropriation process. The amount of \$388,841 thousand reported in the reserves for 1972 includes a funded amount of \$25,669 thousand. The \$424,859 thousand for 1973 includes a funded amount of \$92,688 thousand.

⁴ These items are included in the "Change in selected resources" entries on the program and financing schedule in their entirety.

⁵ The transfers and prior year adjustments requested in total in the Analysis of Changes in Government Equity are as follows (in thousands of dollars):

	1972	1973	1974	1975
Adjustment in expired accounts (prior years).....	-----	-3,597	-----	-----
Transfers of assets from other agencies.....	5,485	2,807	-----	-----
Previous unfunded liability of the Post Office Department.....	32,539	31,000	-----	-----
Total transfers and prior year adjustments.....	38,024	30,210	-----	-----

Public enterprise funds—Continued

 POSTAL SERVICE FUND—Continued
 Object Classification (in thousands of dollars)

Identification code 32-10-4020-0-3-505	1973 actual	1974 est.	1975 est.	
Direct obligations:				
Personnel compensation:				
11.1	Permanent positions.....	6,015,528	-----	-----
11.3	Positions other than permanent.....	883,907	-----	-----
11.5	Other personnel compensation.....	732,137	-----	-----
	Total personnel compensation.....	7,631,572	-----	-----
12.1	Personnel benefits: Civilian.....	728,192	-----	-----
13.0	Benefits for former personnel.....	230	-----	-----
21.0	Travel and transportation of persons.....	29,691	-----	-----
22.0	Transportation of things.....	768,313	-----	-----
23.0	Rent, communications, and utilities.....	316,486	-----	-----
24.0	Printing and reproduction.....	10,457	-----	-----
25.0	Other services.....	114,159	-----	-----
26.0	Supplies and materials.....	156,183	-----	-----
31.0	Equipment.....	307,928	-----	-----
32.0	Lands and structures.....	484,764	-----	-----
42.0	Insurance claims and indemnities.....	31,081	-----	-----
43.0	Interest.....	17,000	-----	-----
	Total direct obligations.....	10,596,056	=====	=====
Reimbursable obligations:				
22.0	Transportation of things.....	77,982	-----	-----
25.0	Other services.....	6,330	-----	-----
26.0	Supplies and materials.....	2,486	-----	-----
	Total reimbursable obligations..	86,798	=====	=====
99.0	Total obligations.....	10,682,854	=====	=====

Personnel Summary

POSTAL SERVICE			
Total number of permanent positions.....	547,283	-----	-----
Full-time equivalent of other positions.....	96,743	-----	-----
Average paid employment.....	651,619	-----	-----
Average postal executive schedule grade.....	16.6	-----	-----
Average postal executive schedule salary.....	\$15,086	-----	-----
Average postal manager schedule grade.....	10.9	-----	-----
Average postal manager schedule salary.....	\$11,963	-----	-----
Average postal service grade.....	5.0	-----	-----
Average postal service salary.....	\$10,466	-----	-----
Average salary of ungraded positions.....	\$11,584	=====	=====
POSTAL RATE COMMISSION			
Total number of permanent positions.....	63	-----	-----
Average paid employment.....	60	-----	-----
Average postal executive schedule grade.....	21.1	-----	-----
Average postal executive schedule salary.....	\$22,776	-----	-----
Average postal manager schedule grade.....	7.8	-----	-----
Average postal manager schedule salary.....	\$9,043	-----	-----

U.S. POSTAL SERVICE

POSTAL SERVICE FUND

Program and Financing (in thousands of dollars)

	1973 actual	1974 est.	1975 est.
Program by activities:			
Direct operating costs, funded:			
1. Services at small post offices.....	3,909,038	4,101,083	
2. Window and collection services— large offices.....	353,696	382,754	
3. Delivery services—large offices.....	833,030	877,812	
4. Processing of mail—large offices.....	3,040,746	3,118,685	
5. Transportation.....	745,973	763,595	
6. Law enforcement.....	94,129	111,129	
7. Research, development, and engineering.....	156,133	179,036	
8. Administration.....	1,112,981	1,023,368	
9. Logistical postal support.....	1,045,833	1,176,589	
10. Conversion to Government fiscal year, including additional day.....	22,905	52,891	
Total direct operating costs, funded.....	11,314,464	11,786,942	
Change in selected resources (undeliv- ered orders).....	30,035	30,193	
Total direct operating obliga- tions.....	11,344,499	11,817,135	
Reimbursable program:			
Operating services.....	94,131	99,621	
Total operating obligations.....	11,438,630	11,916,756	
Capital outlay, funded:			
9. Logistical postal support, capital investment.....	984,600	1,127,800	
Change in selected resources (undeliv- ered orders).....	458,386	535,474	
Total capital outlay obligations.....	1,442,986	1,663,274	
Adjustment for prior year obligations:			
Workmen's compensation.....	30,096	30,151	
Employees' earned and unused annual leave.....	31,000	31,000	
Total obligations.....	12,942,712	13,641,181	
Financing:			
Receipts, other income and reimburse- ments from:			
Federal funds:			
Receipts from other Government agencies for mail and other postal services.....	-416,162	-454,956	
Other income and reimbursements.....	-102,153	-108,127	
Public service and transitional subsidies.....	-1,998,685	-1,552,607	
Receipts from investments.....	-57,300	-57,300	
Non-Federal sources:			
Mail and other postal services.....	-8,620,368	-9,954,347	
Other income and reimbursements.....	-12,153	-12,669	
Receipts from investments.....	-17,700	-17,700	

U.S. POSTAL SERVICE—Continued

Unobligated balance available, start of year:		
Authority to spend agency debt receipts.....	-9,018,891	-7,300,700
Fund balance.....	-479,565	-479,565
Unobligated balance available, end of year:		
Authority to spend agency debt receipts.....	7,300,700	5,817,225
Fund balance.....	479,565	479,565
Budget authority		
<hr/>		
Relation of commitments to outlays:		
Obligations incurred, net.....	1,718,191	1,483,475
Obligated balance, start of year:		
Authority to spend agency debt receipts.....		1,941,332
Fund balance.....		768,597
Obligated balance, end of year:		
Authority to spend agency debt receipts.....	-1,941,332	-2,924,807
Fund balance.....	-768,597	-535,815
Obligated balance adjusted (amount withdrawn from the Government's budget):		
Authority to spend agency debt receipts.....	731,109	
Fund balance.....	1,209,348	
Outlays.....	948,719	732,782

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 customers 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, a Postmaster General who is selected by the Governors, and a Deputy Postmaster General who is selected by the Governors and the Postmaster General.

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 U.S. 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

U.S. POSTAL SERVICE—Continued

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, investment in obligations and securities.

The 1975 program for the U.S. Postal Service is based on an anticipated mail volume of 91.2 billion pieces, compared to 90.5 billion estimated for 1974 and 89.7 billion in 1973.

Starting with 1974, transactions of the Postal Service fund and the assets and liabilities of the U.S. Postal Service will no longer appear within the totals of the U.S. budget. The schedules presented here reflect estimated net expenditures of \$948,719 thousand in 1974 and \$732,782 thousand in 1975 and summary data on postal operations.

FINANCIAL AND STATISTICAL SUMMARY

[In thousands of dollars]

	1973 actual	1974 estimate	1975 estimate
Commitments incurred:			
Operating commitments.....	9,847,419	11,438,630	11,916,756
(Covered by operating receipts).....	(9,847,419)	(11,163,425)	(11,811,772)
(Covered by borrowing authority).....		(275,205)	(104,984)
Capital Investment.....	802,896	1,442,986	1,663,274
(Covered by operating receipts).....	(84,357)		(284,783)
(Covered by borrowing authority).....	(718,539)	(1,442,986)	(1,378,491)
Other funded requirements.....	32,539	61,096	61,151
Total.....	10,682,854	12,942,712	13,641,181
Uncommitted end of year: Borrowing authority.....	9,018,891	7,300,700	5,817,225
Budgeted expenditures:			
Payments.....	10,090,978	12,342,252	12,916,718
Cash receipts (other than from borrowing).....	-9,934,259	-11,393,533	-12,183,936
Net expenditures.....	156,719	948,719	732,782
Revenue and expenses (cost basis):			
Accrued expenses.....	9,853,201	11,450,842	11,949,289
Less: Revenue and other income.....	8,462,776	9,128,205	10,501,978
Accrued net expenses.....	1,390,425	2,322,637	1,447,311
Less: Subsidies.....	1,377,461	1,937,589	1,491,456
Net income or loss (-) for year.....	-12,964	-385,048	44,145
Other statistics:			
Volume of mail—pieces (millions) (preliminary).....	89,683	90,496	91,247
Employment (man-years).....	684,192	685,423	672,737
Filled positions (on-rolls) ¹	² 701,114	674,291	670,010

¹ Includes Postal Rate Commission employees.

² Includes 15,812 youth program employees and 3,119 emergency type rural substitute employees.

U.S. POSTAL SERVICE—Continued

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 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, internal audit, and administrative functions at headquarters and field offices are included.

7. *Research, development, and engineering.*—This activity provides for the conduct of in-house and contractual general research, applied research and development, and related systems planning and design. Administrative functions of the research department are included.

8. *Administration.*—This activity provides for the overall planning and management of Postal Service programs

U.S. POSTAL SERVICE—Continued

and related support services. Costs of contractual professional and technical services, the Board of Governors, the Postal Service Advisory Council, the Independent Postal Rate Commission, which is financed out of the Postal Service fund pursuant to 39 U.S.C. 2003(e), 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 Training and Development Institute are covered in this activity. Contributions to the workmen's compensation fund, claims and indemnities, and costs of employees' earned but unused annual leave are also included. In addition, the budget includes Postal Service reimbursement to the Government beginning in 1974 for unemployment insurance benefits paid former Postal Service employees since July 1, 1971, and for the Postal Service portion of the unfunded liability of the Civil Service retirement and disability fund.

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, 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, is also included. Debt discount and expense related to borrowings are provided for in this activity.

(b) *Expense.*—This activity includes rental, operation, and maintenance of facilities, leasing services, 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, the stamped envelope agency, and the mail equipment shops are provided for in this activity. Interest on borrowing and catastrophe insurance are included.

10. *Conversion to Government fiscal year including additional day.*—This activity provides for the costs associated with conversion from a postal fiscal year, which is the basis

U.S. POSTAL SERVICE—Continued

for all inservice estimating, reporting, and program evaluation, to a Government fiscal year.

Revenue and expense.—Amounts estimated to become available in 1975 include \$10,505,478 thousand from revenues and receipts, of which \$3,500 thousand is from sales of assets at book value; \$500,000 thousand from authorized borrowings; and \$1,552,607 thousand from the appropriation, Payment to the Postal Service Fund, of which \$30,151 thousand covers Post Office Department liability to the workmen's compensation fund for injuries prior to July 1, 1971, 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 \$12,558,085 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, 1975, it is expected that obligations outstanding will amount to \$1,225 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.

Revenue and Expense (in thousands of dollars)

	1973 actual	1974 est.	1975 est.
Revenue and operating receipts:			
Mail and service revenues		9,036,530	10,409,303
Investment income		75,000	75,000
Other income		16,675	17,675
Revenue other than subsidies		9,128,205	10,501,978
Receipts from appropriations ¹		1,937,589	1,491,456
Total revenue and operating receipts		11,065,794	11,993,434
Operating expenses:			
Payable from Postal Service fund, funded:			
Services at small post offices	3,909,038		4,101,083
Window and collection services—large offices	353,696		382,754
Delivery services—large offices	833,030		877,812
Processing of mail—large offices	3,040,746		3,118,685
Transportation	745,973		763,595
Law enforcement	94,129		111,129
Research, development, and engineering	156,133		179,036
Administration	1,112,981		1,023,368

U.S. POSTAL SERVICE—Continued

Logistical postal support.....	1,045,833	1,176,589
Conversion to Government fiscal year including additional day.....	22,905	52,891
Total operating expenses (payable from Postal Service fund, funded).....	11,314,464	11,786,942
Other operating expenses (nonfunded):		
Depreciation and amortization of fixed assets.....	106,297	132,160
Expendable equipment and chargeoffs.....	30,000	30,000
Amortization of debt discount and expense.....	81	187
Total other operating expenses (nonfunded).....	136,378	162,347
Total operating expenses (deduct).....	11,450,842	11,949,289
Net operating income or loss (—) for year.....	—385,048	44,145
Nonoperating income or loss (—):		
Proceeds from sale of assets.....	3,500	3,500
Net book value of assets.....	—3,500	—3,500
Net income or loss (—) for the year.....	—385,048	44,145

¹ Excludes appropriations under 39 U.S.C. 2004 for Post Office Department's liabilities in 1974 of \$61.096 thousand and 1975 of \$61.151 thousand. The amounts include (in thousands of dollars):

Contributions to fund deficit of U.S. Civil Service Retirement and Disability Fund.....	1973	1974	1975
Public Service costs.....		284,667	920,000
Free and reduced-rate mail.....		920,000	571,456
Delay in postal rate increase from January 5, 1974 to March 2, 1974.....		497,000	
		235,922	
Total.....		1,937,589	1,491,456

Financial Condition (in thousands of dollars)

	1972 actual	1973 actual	1974 est.	1975 est.
Assets:				
Current assets:				
Cash.....			513,069	480,287
Investments.....			700,000	500,000
Accounts receivable:				
U.S. Government agencies.....			114,348	99,448
Foreign countries.....			32,000	33,000
Interest.....			20,000	15,000
Other.....			6,000	6,000
Total.....			172,348	153,448
Less allowance.....			5,400	5,400
Accounts receivable, net.....			166,948	148,048
Supplies, advances and prepayments.....			23,847	23,847
Total current assets.....			1,403,864	1,152,182
Other assets.....			6,354	8,917
Property and equipment, net.....			2,762,393	3,721,783
Total assets.....			4,172,611	4,882,882

U.S. POSTAL SERVICE—Continued

Liabilities:		
Current liabilities:		
Outstanding postal money orders.....	391,652	391,652
Accrued payroll.....	185,144	219,388
Payroll taxes and civil service retirement, including amounts withheld.....	191,180	201,970
Workmen's compensation ¹	45,706	55,000
Accounts payable to other U.S. Government agencies.....	115,716	122,685
Other accounts payable and accrued expenses.....	113,375	115,006
Prepaid permit mail and box rentals.....	126,247	128,577
Estimated prepaid postage in the hands of the public.....	401,000	406,000
Total current liabilities.....	1,570,020	1,640,278
Long-term debt:		
U.S. Postal Service gross revenue bonds.....	725,000	1,225,000
Mortgages payable.....	17,220	16,488
Total long-term debt.....	742,220	1,241,488
Reserves:		
Workmen's compensation ¹	189,208	223,208
Catastrophe insurance.....	7,500	10,000
Employees' accumulated annual leave ²	452,159	481,259
Total reserves.....	648,867	714,467
Total liabilities.....	2,961,107	3,596,233
Government equity:		
Undelivered orders: ³		
Operations.....	118,886	149,079
Capital investment.....	1,594,649	2,130,123
Total undelivered orders.....	1,713,535	2,279,202
Uncommitted balances:		
Authority to spend agency debt receipts.....	7,300,700	5,817,225
Total unexpended balance.....	9,014,235	8,096,427
Undrawn borrowing authorizations.....	-9,275,000	-8,775,000
Total funded balance.....	-260,765	-678,573
Receivable established for future appropriation and amounts due from Treasury.....	31,000	31,000

U.S. POSTAL SERVICE—Continued

Investment in property, equipment, and inven- tories, net.....	1,441,269	1,934,222
Total Government equity.....	1,211,504	1,286,649

Analysis of Changes in Government Equity (in thousands of dollars)

	1973 actual	1974 est.	1975 est.
Non-interest-bearing capital:			
Start of year.....	1,548,306	1,565,552	1,211,504
Transfers and prior year adjustments ¹	30,210	31,000	31,000
Net income or loss (-) for the year.....	-12,964	-385,048	44,145
Total.....	1,565,552	1,211,504	1,286,649

¹ Workmen's compensation amounts reported for 1973 through 1975 are being funded 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.

² 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 is being funded over a period of 12 years through the appropriation process.

Employees accumulated annual leave in thousands:

	Unfunded	Funded	Total
6/30/71.....	372,796	-----	372,796
6/30/72.....	363,172	25,669	388,841
6/30/73.....	332,171	92,688	424,859
6/30/74.....	301,171	150,988	452,159
6/30/75.....	270,171	211,088	481,259

³ These items are included in the "Change in selected resources" entries on the program and financing schedule in their entirety.

⁴ The \$31,000 thousand in 1974 and 1975 represents receipts from the appropriation "Payment to the Postal Service Fund" 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.

The transfers and prior year adjustments requested in total in the Analysis of Changes in Government Equity are as follows:

	1973	1974	1975
Adjustment in expired accounts (prior years).....	-3,597	-----	-----
Transfers of assets from other agencies.....	2,807	-----	-----
Previous unfunded liability of the Post Office Department.....	31,000	31,000	31,000
Total transfers and prior year adjustments.....	30,210	31,000	31,000

Object Classification (in thousands of dollars)

	1973 actual	1974 est.	1975 est.
Direct obligations:			
Personnel compensation:			
Permanent positions.....	6,643,514	6,953,886	
Positions other than permanent.....	999,080	1,022,199	
Other personnel compensation.....	803,883	841,963	
Total personnel compensation.....	8,446,477	8,818,048	
Personnel benefits: Civilian.....	1,174,724	1,157,874	
Travel and transportation of persons.....	33,357	35,174	
Transportation of things.....	805,749	821,623	
Rent, communications, and utilities.....	321,703	344,963	
Printing and reproduction.....	9,314	9,874	

U.S. POSTAL SERVICE—Continued

Other services.....	416,070	432,114
Supplies and materials.....	145,341	171,048
Equipment.....	332,482	662,749
Lands and structures.....	1,107,894	997,775
Insurance claims and indemnities.....	29,733	29,733
Interest.....	25,737	60,585
Total direct obligations.....	12,848,581	13,541,560
Reimbursable obligations:		
Transportation of things.....	88,125	93,043
Other services.....	5,891	6,076
Supplies and materials.....	115	502
Total reimbursable obligations.....	94,131	99,621
Total obligations.....	12,942,712	13,641,181

Personnel Summary

	1973 actual	1974 est.	1975 est.
POSTAL SERVICE			
Total number of permanent positions.....	537,767	534,602	
Full-time equivalent of other positions.....	98,549	95,124	
Average paid employment.....	652,942	640,769	
Average postal executive schedule grade.....	16.6	16.6	
Average postal executive schedule salary.....	\$16,776	\$17,950	
Average postal manager schedule grade.....	10.9	10.9	
Average postal manager schedule salary.....	\$13,303	\$14,234	
Average postal service grade.....	5.0	5.0	
Average postal service salary.....	\$11,523	\$12,341	
Average salary of ungraded positions.....	\$12,592	\$13,410	
POSTAL RATE COMMISSION			
Total number of permanent positions.....	98	98	
Average paid employment.....	98	98	
Average postal executive schedule grade.....	21.1	21.1	
Average postal executive schedule salary.....	\$25,327	\$27,100	
Average postal manager schedule grade.....	7.8	7.8	
Average postal manager schedule salary.....	\$10,056	\$10,710	

BUDGET HIGHLIGHTS
Fiscal Year 1975

The Postal Service's budget for Fiscal Year 1975 reflects the following assumptions and objectives:

- Mail volume will reach 91.247 billion pieces, an increase of 526 million pieces, or 0.58 percent over Fiscal Year 1974.
- A postage rate increase effective March 2, 1974, is reflected in this budget. The net impact of the rate increase in 1974 is \$603,212,000 after deducting the \$235,922,000 effect of the delay in the postal rate increase from January 5, 1974, to March 2, 1974, for which a supplemental appropriation is being requested. The additional net impact of the rate increase in 1975 is \$1,859,940,000.
- Each one percent increase in mail volume results in a \$71.3 million cost increase, with a revenue gain of approximately \$84 million before rates and \$99 million after rates.
- Clerk productivity in 1974 will increase 2.2 percent over 1973 and increase 6.3 percent in 1975 over 1974.
- City carrier productivity, based on pieces delivered, will increase 1.9 percent in 1974 and 2.3 percent in 1975.
- Overall productivity, based on total man-years and pieces delivered, will increase 1.0 percent in 1974 and 2.5 percent in 1975.
- End-of-year employment for 1974 to be 674,291, a reduction of 26,823 from 1973, and by end of Fiscal Year 1975 to be 670,010, a further reduction of 4,281 positions.
- Borrowing of \$475 million in 1974 and \$500 million in 1975 is included in the budget. Outstanding long-term indebtedness as of end of 1975 is estimated to be \$1.225 billion.
- Annualized new pay and allowances increases reflected in the budget amount to \$836 million for 1974 and for 1975 amount to \$554 million with the total amounting to \$1.390 billion.
- Contributions to the fund deficit of the Civil Service Retirement and Disability Fund involving postal pay raises since July 20, 1971, included in the budget amount to \$344,107,000 in 1974 and \$228,314,000 in 1975. A supplemental appropriation is being requested for \$284,667,000 to cover amounts involving postal pay raises prior to July 1, 1973.

BUDGET HIGHLIGHTS - cont'd

- Total revenues and subsidy appropriations for 1975 are estimated to be \$11.993 billion.
- Direct accrued costs are estimated to be \$11.949 billion for 1975, an increase of \$498 million or 4.4 percent over Fiscal Year 1974.
- An operating surplus is estimated to be \$44,145 thousand in 1975 which provides a small contingency.
- Full rates for regular-rate third-class mail are included in the 1975 estimates in accordance with the President's Budget recommendation involving the budget of the U. S. Postal Service. If Congress wishes to provide for the phasing of regular-rate third-class mail, the appropriation must be increased by \$256.7 million.
- A capital investment program for 1975 of \$1.181 billion in commitments, up \$392 million from 1974. Major components include \$857 million for building construction, purchases and improvements; \$192 million for mail processing equipment; \$69 million for vehicles; and \$63 million for customer services and other equipment.
- The President's Budget treatment of the Postal Service reflects its independence from Federal control. Only the Federal payment to the Postal Service is now included in the budget totals. Information on postal operations is shown in the annexed section of the Budget appendix.
- Reconciliation of the amounts reflected in the President's Budget with the Postal Service budget is as follows for 1975.

	Postal Service	Annex to the	
Budgeted Expenditures (\$000)	Budget	Federal	Budget
Payments	12,611,218		12,916,718
Cash receipts (other than from borrowing)	-12,183,936		-12,183,936
Net expenditures (outlays)	<u>427,282</u>		<u>732,782</u>
			Difference
			-305,500
			...
			<u>-305,500</u>

BUDGET HIGHLIGHTS - cont'd

Line No.	Item	1973	1974	1975
		Actual	Estimate	Estimate
1	Filled positions (end of year)	701, 114	674, 291	670, 010
2	Man-years	684, 192	685, 423	672, 737

3	Mail volume (millions of pieces)	89, 683	90, 721	91, 247
4	Mail volume (percent change over previous year)	2.90	1.16	0.58
5	Man-years (percent change over previous year)	-3.32	0.18	-1.85
6	Overall productivity (percent change over previous year)	6.43	0.98	2.48

7	Revenue and operating receipts	9, 840, 237	11, 065, 794	11, 993, 434
8	Direct accrued costs	9, 853, 201	11, 450, 842	11, 949, 289
9	Net income or loss (-)	-12, 964	-385, 048	44, 145

10	Capital commitments	802, 896	788, 505	1, 180, 713

11	Expenditure impact on Federal Government	1, 566, 719	2, 661, 104	1, 979, 889

U. S. POSTAL SERVICE

The Postal Reorganization Act of 1970, Public Law 91-375, converted the Post Office Department into the United States 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, a Postmaster General who is selected by the Governors, and a Deputy Postmaster General who is selected by the Governors and the Postmaster General.

Decisions on changes in domestic rates of postage and fees for postal services are recommended to the Governors of the Postal Service by the independent Postal Rate Commission after a hearing on the record under the Administrative Procedure Act. The Commission also recommends decisions on changes in the domestic mail classification schedule to the Governors. Decision of the Governors on rates of postage, fees for postal services, and mail classification are final, subject to judicial review.

The activities of the U. S. Postal Service are financed from the following sources: (1) mail and services revenue, (2) reimbursements from federal and nonfederal 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,

U. S. POSTAL SERVICE - cont'd.

investment in capital, and investment in obligations and securities.

The 1975 program for the U. S. Postal Service is based on an anticipated mail volume of 91.2 billion pieces, compared to 90.7 billion estimated for 1974 and 89.7 billion in 1973.

Starting with 1974, transactions of the Postal Service Fund and the assets and liabilities of the U. S. Postal Service will no longer appear within the totals of the U. S. budget. The schedules presented here reflect estimated net expenditure of \$662,419 thousand in 1974 and \$427,282 thousand in 1975 and summary data on postal operations.

U. S. POSTAL SERVICE
FINANCIAL AND STATISTICAL SUMMARY
(thousands of dollars)

Line No.	Item	1973	1974	1975
		Actual	Estimate	Estimate
1	Commitments Incurred:			
2	Operating commitments	9,847,419	11,438,630	11,916,756
3	(Covered by operating receipts)	(9,847,419)	(11,163,425)	(11,811,772)
4	(Covered by borrowing authority)	(...)	(275,205)	(104,984)
5	Capital Investment	802,896	788,505	1,180,713
6	(Covered by operating receipts)	(84,357)	(...)	(284,783)
7	(Covered by borrowing authority)	(718,539)	(788,505)	(895,930)
8	Other funded requirements	32,539	61,096	61,151
9	Total	10,682,854	12,288,231	13,158,620
10	Uncommitted End of Year: Borrowing authority ..	9,018,891	7,955,181	6,954,267
11	Budgeted Expenditures:			
12	Payments	10,090,978	12,055,952	12,611,218
13	Cash receipts (other than from borrowing)	-9,934,259	-11,393,533	-12,183,936
14	Net expenditures	156,719	662,419	427,282
15	Revenue and Expenses (Cost Basis):			
16	Accrued expenses	9,853,201	11,450,842	11,949,289
17	Less: Revenue and other income	8,462,776	9,128,205	10,501,978
18	Accrued net expenses	1,390,425	2,322,637	1,447,311
19	Less: Subsidies	-1,377,461	-1,937,589	-1,491,456
20	Net income or loss (-) for year	-12,964	-385,048	44,145
21	Other Statistics:			
22	Volume of mail -pieces (millions)	89,683	90,721	91,247
23	Employment (man-years)	684,192	685,423	672,737
24	Filled positions (on-rolls) 1/	701,114 2/	674,291	670,010

1/ Includes Postal Rate Commission employees.

2/ Includes 15,812 youth program employees and 3,119 emergency type rural substitute employees.

SOURCES AND APPLICATION OF FUNDS
(thousands of dollars)

Line No.	Item	1973	1974	1975
		Actual	Estimate	Estimate
1	Sources:			
2	Sale of bonds .....	...	475,000	500,000
3	Operations	-12,964	-385,048	44,145
4	Non-funded costs	112,876	136,378	162,347
5	Appropriation for POD liabilities	32,539	61,096	61,151
6	Treasury drawdown from prior year appropriations	1,399	...	...
7	Sale of assets	3,342	3,500	3,500
8	Total	<u>137,192</u>	<u>290,926</u>	<u>771,143</u>
9	Application:			
10	POD liabilities	32,539	61,096	61,151
11	Capital additions	381,169	698,300	822,300
12	Increase or decrease (-) in working capital	-276,516	-468,470	-112,308
13	Total	<u>137,192</u>	<u>290,926</u>	<u>771,143</u>

PUBLIC ENTERPRISE FUND
POSTAL SERVICE FUND — PROGRAM AND FINANCING
(thousands of dollars)

Line No.	Item	1973 Actual	1974 Estimate	1975 Estimate
Program by activities:				
Direct operating costs, funded:				
1	Services at small post offices	3,560,716	3,909,038	4,101,083
2	Window and collection services — large offices	315,775	353,696	382,754
3	Delivery services — large offices.....	773,780	833,030	877,812
4	Processing of mail — large offices	2,768,876	3,040,746	3,118,685
5	Transportation	705,805	745,973	763,595
6	Law enforcement	80,703	94,129	111,129
7	Research, development, and engineering	55,212	156,133	179,036
8	Administration	546,823	1,112,981	1,023,368
9	Logistical postal support	895,966	1,045,833	1,176,589
10	Conversion to government fiscal year, including additional day	36,669	22,905	52,891
11	Total direct operating costs funded	<u>9,740,325</u>	<u>11,314,464</u>	<u>11,786,942</u>
12	Change in selected resources (undelivered orders) 1/	39,500	30,035	30,193
13	Total direct operating commitments	<u>9,779,825</u>	<u>11,344,499</u>	<u>11,817,135</u>
Reimbursable program:				
14	Operating services	86,798	94,131	99,621
15	Total operating commitments	<u>9,866,623</u>	<u>11,438,630</u>	<u>11,916,756</u>
Capital outlay, funded:				
16	Research, development, and engineering	167	...	...
17	Logistical postal support, capital investment	381,002	698,300	822,300
18	Total capital outlay, funded	<u>381,169</u>	<u>698,300</u>	<u>822,300</u>
19	Change in selected resources (undelivered orders) 2/	421,727	90,205	358,413
20	Total capital outlay commitments	<u>802,896</u>	<u>788,505</u>	<u>1,180,713</u>

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND — PROGRAM AND FINANCING — cont'd
 (thousands of dollars)

Line No.	Item	1973		1974		1975	
		Actual	Estimate	Actual	Estimate	Actual	Estimate
25	Adjustment for prior year commitments:						
26	Workmen's compensation	1,539		30,096		30,151	
27	Other transactions	-19,204		...		...
28	Employees' earned and unused annual leave ..	31,000		31,000		31,000	
29	Total commitments	10,682,854		12,288,231		13,158,620	
30	Financing:						
31	Receipts, other income and reimbursements from:						
32	Federal funds:						
33	Receipts from other Government agencies for mail and other postal services ...	-403,952		-416,162		-454,956	
34	Other income and reimbursements ..	-93,539		-102,153		-108,127	
35	Public service and transitional subsidies	-1,410,000		-1,998,685		-1,552,607	
36	Receipts from investments	-80,937		-57,300		-57,300	
37	Drawdown from Treasury for prior year transactions	-1,399		...		...
38	Non-Federal sources:						
39	Mail and other postal services	-7,937,663		-8,620,368		-9,954,347	
40	Other income and reimbursements ..	-11,825		-12,153		-12,669	
41	Receipts from investments	-25,000		-17,700		-17,700	
42	Uncommitted balance available, start of year:						
43	Authority to spend agency debt receipts ...	-9,737,430		-9,018,891		-7,955,181	
44	Fund balance	-478,450		-479,565		-479,565	
45	Uncommitted balance available, end of year:						
46	Authority to spend agency debt receipts ...	9,018,891		7,955,181		6,954,267	
47	Fund balance	479,565		479,565		479,565	
48	Adjustment in unobligated balance	-1,115		...		...
49	Budget authority .....	...		...		...

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND — PROGRAM AND FINANCING cont'd
 (thousands of dollars)

Line No.	Item	1973	1974	1975
		Actual	Estimate	Estimate
50	Relation of commitments to outlays:			
51	Commitments incurred, net	718, 539	1, 063, 710	1, 000, 914
52	Committed balance, start of year:			
53	Authority to spend agency debt receipts	12, 570	...	1, 063, 710
54	Fund balance	1, 342, 690	...	1, 278, 038
55	Committed balance, end of year:			
56	Authority to spend agency debt receipts	-731, 109	-1, 063, 710	-2, 064, 624
57	Fund balance	-1, 209, 348	-1, 278, 038	-850, 756
58	Committed balance adjusted (amount withdrawn from the Government's budget):			
59	Authority to spend agency debt receipts .....	...	731, 109	...
60	Fund balance .....	...	1, 209, 348	...
61	Adjustment in expired accounts (prior years) net	23, 377		
62	Outlays	<u>156, 719</u>	<u>662, 419</u>	<u>427, 282</u>

1/ Selected resources as of June 30 are as follows:

	1973		1974	1975
	Adjustments	1973		
Stores on hand	3, 258	16, 132	16, 132	16, 132
Unpaid undelivered orders	-21, 321	88, 851	118, 886	149, 079
Total selected resources	<u>-18, 063</u>	<u>104, 983</u>	<u>135, 018</u>	<u>165, 211</u>

2/ Selected resources as of June 30 are as follows: Unpaid, undelivered orders 1972, \$714, 536 thousand; 1973, \$1, 136, 263 thousand; 1974, \$1, 226, 468 thousand; 1975, \$1, 584, 881.

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, 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 mis-treatment 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, internal audit, and administrative functions at Headquarters and field offices are included.
7. Research, development, and engineering: This activity provides for the conduct of in-house and contractual general research, applied research and development, and related systems planning and design. Administrative functions of the Research Department are included.
8. Administration: This activity provides for the over-all planning and management of Postal Service programs and related support services. Costs of contractual professional and technical services, the Board of Governors, the Postal Service Advisory Council, the Independent Postal Rate Commission, which is financed out of the postal service fund pursuant to 39 U. S. C. 2003 (e) 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 Training and Development Institute are covered in this activity. Contributions to the workmen's compensation fund, claims and indemnities, and costs of employees' earned but unused annual leave are also included. In addition, the budget includes Postal Service reimbursement to the Government beginning in 1974 for unemployment insurance benefits paid former Postal Service employees since July 1, 1971, and for the Postal Service portion of the unfunded liability of the Civil Service retirement and disability fund.

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, 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 postal support equipment required for postal operations are also included. Debt discount and expense related to borrowings are provided for in this activity.

(b) Logistical postal support - expense: This activity includes rental, operation, and maintenance of facilities, leasing services, 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, the Stamped Envelope Agency, and the Mail Equipment Shops are provided for in this activity. Interest on borrowing and catastrophe insurance are included.

10. Conversion to government fiscal year including additional day: 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.

Revenue and expense: Amounts estimated to become available in 1975 include \$10,505,478 thousand from revenues and receipts, of which \$3,500 thousand is from sales of assets at book value; \$500,000 thousand from authorized borrowings; and \$1,552,607 thousand from the appropriation, Payment to the Postal Service Fund, of which \$30,151 thousand covers Post Office Department liability to the workmen's compensation fund for injuries prior to July 1, 1971, 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 \$12,558,085 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, 1975, it is expected that obligations outstanding will amount to \$1, 225 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.

STATEMENT OF REVENUE AND EXPENSE
(thousands of dollars)

Line No.	Item	1973 Actual	1974 Estimate	1975 Estimate
	Revenue and operating receipts:			
1	Mail and service revenues	8,341,615	9,036,530	10,409,303
2	Investment income	105,937	75,000	75,000
3	Other income	15,224	16,675	17,675
4	Revenue other than subsidies	8,462,776	9,128,205	10,501,978
5	Receipts from appropriations 1/	1,377,461	1,937,589	1,491,456
6	Total revenue and operating receipts	<u>9,840,237</u>	<u>11,065,794</u>	<u>11,993,434</u>
7				
8	Operating expenses:			
9	Payable from Postal Service Fund, funded:			
10	Services at small post offices	3,560,716	3,909,038	4,101,083
11	Window and collection services - large offices	315,775	353,696	382,754
12	Delivery services - large offices	773,780	833,030	877,812
13	Processing of mail - large offices	2,768,876	3,040,746	3,118,685
14	Transportation	705,805	745,973	763,595
15	Law enforcement	80,703	94,129	111,129
16	Research, development, and engineering	55,212	156,133	179,036
17	Administration	546,823	1,112,981	1,023,368
18	Logistical postal support	895,966	1,045,833	1,176,589
19	Conversion to government fiscal year including additional day	36,669	22,905	52,891
20	Total operating expenses (payable from Postal Service Fund, funded)	<u>9,740,325</u>	<u>11,314,464</u>	<u>11,786,942</u>

STATEMENT OF REVENUE AND EXPENSE - cont'd
(thousands of dollars)

Line No.	Item	1973 Actual	1974 Estimate	1975 Estimate
21	Other operating expenses (nonfunded):			
22	Depreciation and amortization of fixed assets ..	94,242	106,297	132,160
23	Expendable equipment and chargeoffs	18,580	30,000	30,000
24	Amortization of debt discount and expense	54	81	187
25	Total other operating expenses (nonfunded)	<u>112,876</u>	<u>136,378</u>	<u>162,347</u>
26	Total operating expenses (deduct)	<u>9,853,201</u>	<u>11,450,842</u>	<u>11,949,289</u>
27	Net operating income or loss (-) for year	-12,964	-385,048	44,145
28	Nonoperating income or loss (-):			
29	Proceeds from sale of assets	3,342	3,500	3,500
30	Net book value of assets	<u>-3,342</u>	<u>-3,500</u>	<u>-3,500</u>
31	Net income or loss (-) for the year	<u>-12,964</u>	<u>-385,048</u>	<u>44,145</u>
	1/ Excludes appropriations under 39 U. S. C. 2004 for POD liabilities in 1973 of \$32,539,000, 1974 of \$61,096,000 and 1975 of \$61,151,000. The amounts include (in \$000):			
	-Contributions to fund deficit of U. S. Civil Service Retirement and Disability Fund .....	...	284,667	...
	-Public service costs	920,000	920,000	920,000
	-Free and reduced-rate mail	457,461	497,000	571,456
	-Delay in postal rate increase from January 5, 1974, to March 2, 1974 .....	...	235,922	...
	Total	<u>1,377,461</u>	<u>1,937,589</u>	<u>1,491,456</u>

STATEMENT OF FINANCIAL CONDITION
As of June 30
(thousands of dollars)

Line No.	Item	1972 Actual	1973 Actual	1974 Estimate	1975 Estimate
1	<u>Assets:</u>				
2	<u>Current assets:</u>				
3	Cash 1/	461,481	596,875	513,069	480,287
4	Investments	1,370,221	1,089,913	986,300	1,091,800
5	<u>Accounts Receivable:</u>				
6	U. S. Government Agencies	118,084	183,263	114,348	99,448
7	Foreign Countries	29,520	31,363	32,000	33,000
8	Interest	55,601	24,653	20,000	15,000
9	Other	5,627	6,145	6,000	6,000
10	<u>Total</u>	<u>208,832</u>	<u>245,424</u>	<u>172,348</u>	<u>153,448</u>
11	Less allowance	6,572	5,383	5,400	5,400
12	<u>Accounts receivable, net</u>	<u>202,260</u>	<u>240,041</u>	<u>166,948</u>	<u>148,048</u>
13	Supplies, advances and prepayments	25,867	23,847	23,847	23,847
14	<u>Total current assets</u>	<u>2,059,829</u>	<u>1,950,676</u>	<u>1,690,164</u>	<u>1,743,982</u>
15	Other assets	3,851	3,825	6,354	8,917
16	Property and equipment, net	1,656,209	1,924,783	2,476,093	3,129,983
17	<u>Total assets</u>	<u>3,719,889</u>	<u>3,879,284</u>	<u>4,172,611</u>	<u>4,882,882</u>
18	<u>Liabilities:</u>				
19	<u>Current liabilities:</u>				
20	Outstanding postal money orders	297,627	396,695	391,652	391,652
21	Accrued payroll	153,964	169,121	185,144	219,388
22	Payroll taxes and civil service retirement, including amounts withheld	119,786	114,940	191,180	201,970
23	Workmen's compensation 2/	41,028	28,561	45,706	55,000
24	Accounts payable to other U. S. Government agencies	202,833	179,645	115,716	122,685
25	Other accounts payable and accrued expenses	205,978	163,375	113,375	115,006

STATEMENT OF FINANCIAL CONDITION - cont'd

As of June 30

(thousands of dollars)

Line No.	Item	1972 Actual	1973 Actual	1974 Estimate	1975 Estimate
26	Prepaid permit mail and box rentals	101, 713	115, 328	126, 247	128, 577
27	Estimated prepaid postage in the hands of the public	315, 000	316, 000	401, 000	406, 000
28	Total current liabilities	<u>1, 437, 979</u>	<u>1, 483, 665</u>	<u>1, 570, 020</u>	<u>1, 640, 278</u>
29	Long-term debt:				
30	U. S. P. S. gross revenue bonds	250, 000	250, 000	725, 000	1, 225, 000
31	Mortgages payable	250, 000	250, 000	17, 220	16, 488
32	Total long-term debt	<u>250, 000</u>	<u>250, 000</u>	<u>742, 220</u>	<u>1, 241, 488</u>
33	Reserves:				
34	Workmen's compensation	92, 313	150, 208	189, 208	223, 208
35	Catastrophe insurance	2, 500	5, 000	7, 500	10, 000
36	Employees' accumulated annual leave 3/	388, 841	424, 859	452, 159	481, 259
37	Total reserves	<u>483, 654</u>	<u>580, 067</u>	<u>648, 867</u>	<u>714, 467</u>
38	Total liabilities	<u>2, 171, 583</u>	<u>2, 313, 732</u>	<u>2, 961, 107</u>	<u>3, 596, 233</u>
39	Government equity:				
40	Undelivered orders: 4/				
41	Operations	68, 133	88, 851	118, 886	149, 079
42	Capital investment	714, 536	1, 136, 263	1, 226, 468	1, 584, 881
43	Total undelivered orders	<u>782, 669</u>	<u>1, 225, 114</u>	<u>1, 345, 354</u>	<u>1, 733, 960</u>
44	Uncommitted balances:				
45	Authority to spend agency debt receipts	9, 737, 430	9, 018, 891	7, 955, 181	6, 954, 267
46	Total unexpended balances	<u>10, 520, 099</u>	<u>10, 244, 005</u>	<u>9, 300, 535</u>	<u>8, 688, 227</u>
47	Undrawn borrowing authorizations	- 9, 750, 000	- 9, 750, 000	- 9, 275, 000	- 8, 775, 000
48	Total funded balance	<u>770, 099</u>	<u>494, 005</u>	<u>25, 535</u>	<u>- 86, 773</u>
49	Receivable established for future appropriation and amounts due from Treasury	32, 539	28, 122	31, 000	31, 000
50	Investment in property, equipment, and inventories, net	<u>745, 668</u>	<u>1, 043, 425</u>	<u>1, 154, 969</u>	<u>1, 342, 422</u>
51	Total Government equity	<u>1, 548, 306</u>	<u>1, 565, 552</u>	<u>1, 211, 504</u>	<u>1, 286, 649</u>

STATEMENT OF FINANCIAL CONDITION - cont'd
As of June 30
(thousands of dollars)

Line No.	Item	Analysis of Changes in Government Equity		
		1972 Actual	1973 Actual	1974 Estimate
52	Non-interest bearing capital:			
53	Start of year	1,685,717	1,548,306	1,565,552
54	Transfers and prior year adjustments 5/	38,024	30,210	31,000
55	Net income or loss (-) for the year	-175,435	-12,964	-385,048
56	Total	<u>1,548,306</u>	<u>1,565,552</u>	<u>1,211,504</u>

1/ The amount of \$596,875 thousand reported as post-closing unexpended cash balance as of June 30, 1973, represents the balance on the audited financial statements of the U. S. Postal Service. It is \$7 thousand lower than the unexpended cash balance on the Treasury books. The net difference of \$7 thousand is made up of a difference of \$11 thousand decreased outlays between what was reported by the Corps of Engineers to the Treasury and to U. S. Postal Service. This was offset by a \$4 thousand discrepancy in the amount reported to U. S. Postal Service by Treasury in the Special Agent account.

2/ Workmen's compensation amounts reported under current liabilities for 1972 includes liabilities of \$33,173 thousand funded in fiscal years 1972 and 1973 through appropriations (for the cost of injuries occurring prior to June 30, 1971). The balance of \$7,855 thousand in 1972 and the amounts reported for fiscal years 1973 through 1975 are being funded 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.

3/ 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 is being funded over a period of 12 years through appropriation process.

Employees accumulated annual leave in thousands:

	Unfunded	Funded	Total
6/30/71	372,796	...	372,796
6/30/72	363,172	25,669	388,841
6/30/73	332,171	92,688	424,859
6/30/74	301,171	150,988	452,159
6/30/75	270,171	211,088	481,259

4/ These items are included in the "Change in selected resources" entries on the program and financing schedule in their entirety.

5/ The \$31,000 thousand in 1974 and 1975 represents receipts from the appropriation, "Payment to the Postal Service Fund," 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.

The transfers and prior year adjustments requested in total in the Analysis of Changes in Government Equity are as follows:

Item	(dollars in thousands)		
	1972	1973	1974
Adjustment in expired accounts (prior years)	...	-3,597	...
Transfers of assets from other agencies	5,485	2,807	...
Previous unfunded liability of the Post Office Department	32,539	31,000	31,000
Total transfers and prior year adjustments	38,024	30,210	31,000

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 foregone 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 as of June 30, 1971, pursuant to 39 USC 2004, \$1, 552, 607, 000.

PROGRAM AND FINANCING
(in thousands of dollars)

	1973 <u>Actual</u>	1974 <u>Estimate</u>	1975 <u>Estimate</u>
Program by activities:			
Payment to the Postal Service Fund for:			
Previous non-funded liabilities of the Post Office Department	32, 539	61, 000	61, 151
Public service costs	920, 000	920, 000	920, 000
Free and reduced-rate mail	457, 461	497, 000	571, 456
Total payments to the Postal Service Fund (costs - commitments) (object class 41. 0)	1, 410, 000	1, 478, 000	1, 552, 607

Appropriation - Language

PAYMENT TO THE POSTAL SERVICE FUND

PROGRAM AND FINANCING - cont'd
(thousands of dollars)

	1973 <u>Actual</u>	1974 <u>Estimate</u>	1975 <u>Estimate</u>
Budget authority (appropriation)	1,410,000	1,478,000	1,552,607
Relation of commitments to outlays:			
Commitments incurred, net	1,410,000	1,478,000	1,552,607
Outlays	1,410,000	1,478,000	1,552,607

Financing:

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-rate mail, pursuant to 39 U. S. C. 2401 (b) and (c), and for transitional costs pursuant to 39 U. S. C. 2004. The \$61,151,000 requested for previously unfunded liabilities of the former Post Office Department provides \$30,096,000 to cover payments to the Employees' Compensation Fund for Fiscal Year 1975 for injuries to postal employees which occurred prior to July 1, 1971, with \$55,000 to cover reimbursing the Postal Service for 1974 payments above amounts appropriated; and \$31,000,000 to cover one-twelfth of the \$372,796,423 in earned and unused annual leave balances due postal employees on June 30, 1971, from the former Post Office Department.

PAYMENT TO THE POSTAL SERVICE FUND
 (Supplemental now requested)

PROGRAM AND FINANCING
 (in thousands of dollars)

	1973 Actual	1974 Estimate	1975 Estimate
Program by activities:			
Payment to the Postal Service Fund (costs--commitments) (object class 41.0)	236,018	...
Financing:			
Budget authority (supplemental)	236,018	...
Relation of commitments to outlays:			
Commitments incurred, net	236,018	...
Outlays	236,018	...

This supplemental is to provide \$235,922,000 for revenue lost as a result of the delay in the postal rate increase from January 5, 1974, to March 2, 1974, pursuant to the Cost of Living Council order dated December 21, 1973. It also includes \$96,000 to meet liabilities of the former Post Office Department to the Employees Compensation Fund.

PAYMENT TO THE POSTAL SERVICE FUND
(Proposed for later transmittal, proposed legislation)

PROGRAM AND FINANCING
(in thousands of dollars)

	1973 <u>Actual</u>	1974 <u>Estimate</u>	1975 <u>Estimate</u>
Program by activities:			
Payment to the Postal Service Fund (costs—commitments) (object class 41.0)	284, 667	...
Financing:			
Budget authority (proposed for later transmittal)	284, 667	...
Relation of commitments to outlays:			
Commitments incurred, net	<u>284, 667</u>	<u>...</u>
Outlays	284, 667	...

Legislation will be proposed to clarify that the Postal Service will be responsible for reimbursing the Civil Service retirement fund for increases in the unfunded liability of the fund due to increases in compensation of postal employees granted by the Postal Service since its establishment. A supplemental appropriation will be sought to reimburse the Postal Service for the estimated cost of the unfunded liability payments due to fund for 1972 through 1974 resulting from employee compensation increases occurring prior to July 1, 1973.

CATEGORY SUMMARY - DIRECT COMMITMENTS
1973 - 1975
(in thousands of dollars)

CATEGORY	1973 Actual	1974 Estimate	Increase or Decrease(-)		1975 Estimate	Increase or Decrease(-)	
			Amount	Pct.		Amount	Pct.
I. Services at small post offices ...	3,560,716	3,909,038	348,322	9.8	4,101,083	192,045	4.9
II. Window and collection services - large offices	315,775	353,696	37,921	12.0	382,754	29,058	8.2
III. Delivery services - large offices	773,780	833,030	59,250	7.7	877,812	44,782	5.4
IV. Processing of mail - large offices	2,768,876	3,040,746	271,870	9.8	3,118,685	77,939	2.6
V. Transportation	705,805	745,973	40,168	5.7	763,595	17,622	2.4
VI. Law enforcement	80,703	94,129	13,426	16.6	111,129	17,000	18.1
VII. Research, development, and engineering	57,875	166,133	108,258	..	189,036	22,903	13.8
VIII. Administration 1/.....	546,823	1,122,981	576,158	..	1,033,368	-89,613	-8.0
IX. Logistical postal support: A. Capital	802,896	788,505	-14,391	-1.8	1,180,713	392,208	49.7
B. Expense	905,654	1,055,868	150,214	16.6	1,186,782	130,914	12.4
Total Postal Fiscal Year Commit- ments	10,518,903	12,110,099	1,591,196	15.1	12,944,957	834,858	6.9
X. Conversion to CFY including additional day	63,818	22,905	-40,913	-64.1	52,891	29,986	..
TOTAL GOVERNMENT FISCAL YEAR COMMITMENTS 1/....	10,582,721	12,133,004	1,550,283	14.6	12,997,848	864,844	7.1

1/ Excludes commitments incurred for prior year costs in 1973 of \$-19,204,000 and for FOD liabilities in 1973 of \$32,539,000; 1974 of \$61,096,000; and 1975 of \$61,151,000.

CATEGORY SUMMARY - REIMBURSABLE COMMITMENTS
1973 - 1975
(in thousands of dollars)

CATEGORY	1973 Actual	1974 Estimate	Increase or Decrease (-)		1975 Estimate	Increase or Decrease (-)	
			Amount	Pct.		Amount	Pct.
I. Services at small post offices . . . . .	...	...	...	...	...	...	...
II. Window and collection services - large offices . . . . .	...	...	...	...	...	...	...
III. Delivery services - large offices . . . . .	...	...	...	...	...	...	...
IV. Processing of mail - large offices	77,982	88,125	10,143	...	93,043	4,918	...
V. Transportation	3,824	3,510	- 314	...	3,695	185	...
VI. Law enforcement . . . . .	...	...	...	...	...	...	...
VII. Research, development, and engineering	2,506	2,381	- 125	...	2,381	...	...
VIII. Administration . . . . .	...	...	...	...	...	...	...
IX. Logistical postal support: A. Capital	1,975	115	-1,860	...	502	387	...
B. Expense . . . . .	...	...	...	...	...	...	...
Total Postal Fiscal Year Commitments	86,287	94,131	7,844	...	99,621	5,490	...
X. Conversion to GFY including additional day	511	...	-511	...	...	...	...
TOTAL GOVERNMENT FISCAL YEAR COMMITMENTS	86,798	94,131	7,333	...	99,621	5,490	...

CATEGORY SUMMARY - TOTAL COMMITMENTS
1973 - 1975
(in thousands of dollars)

CATEGORY	1973 Actual	1974 Estimate	Increase or Decrease(-)		1975 Estimate	Increase or Decrease(-)	
			Amount	Pct.		Amount	Pct.
I. Services at small post offices	3,560,716	3,909,038	348,322	9.8	4,101,083	192,045	4.9
II. Window and collection services - large offices	315,775	353,696	37,921	12.0	382,754	29,058	8.2
III. Delivery services - large offices	773,780	833,030	59,250	7.7	877,812	44,782	5.4
IV. Processing of mail - large offices ..	2,768,876	3,040,746	271,870	9.8	3,118,685	77,939	2.6
V. Transportation	783,787	834,098	50,311	6.4	856,638	22,540	2.7
VI. Law enforcement	84,527	97,639	13,112	15.5	114,824	17,185	17.6
VII. Research, development, and engineering	57,875	166,133	108,258	...	189,036	22,903	13.8
VIII. Administration 1/	549,329	1,125,362	576,033	...	1,035,749	-89,613	-8.0
IX. Logistical postal support: A. Capital	802,896	788,505	-14,391	-1.8	1,180,713	392,208	49.7
B. Expense	907,629	1,055,983	148,354	16.3	1,187,284	131,301	12.4
Total Postal Fiscal Year Commit- ments	10,605,190	12,204,230	1,599,040	15.1	13,044,578	840,348	6.9
X. Conversion to GFY including additional day	64,329	22,905	-41,424	-64.4	52,891	29,986	...
TOTAL GOVERNMENT FISCAL YEAR COMMITMENTS 1/	10,669,519	12,227,135	1,557,616	14.6	13,097,469	870,334	7.1

1/ Excludes commitments incurred for prior year costs in 1973 of \$-19,204,000 and for POD liabilities in 1973 of \$32,539,000; 1974 of \$61,096,000; and 1975 of \$61,151,000.

CATEGORY SUMMARY - MAN-YEARS
1973 - 1975

CATEGORY	1973 Actual	1974 Estimate	Increase or Decrease (-)		1975 Estimate	Increase or Decrease (-)	
			Amount	Pct.		Amount	Pct.
I. Services at small post offices	287, 479	285, 820	-1, 659	-0.6	279, 991	-5, 829	-2.0
II. Window and collection services - large offices	25, 211	25, 699	488	1.9	25, 977	278	1.1
III. Delivery services - large offices	64, 822	64, 684	-138	-0.2	63, 623	-1, 061	-1.6
VI. Processing of mail - large offices	230, 670	230, 648	-22	..	221, 576	-9, 072	-3.9
V. Transportation	6, 995	6, 980	-15	-0.2	6, 436	-544	-7.8
VI. Law enforcement	5, 094	5, 321	227	4.5	6, 049	728	13.7
VII. Research, development, and engineering	165	237	72	43.6	329	92	38.8
VIII. Administration	29, 128	30, 238	1, 110	3.8	30, 171	-67	-0.2
IX. Logistical postal support	33, 537	35, 267	1, 730	5.2	36, 480	1, 213	3.4
Total Postal Fiscal Year	683, 101	684, 894	1, 793	0.3	670, 632	-14, 262	-2.1
X. Conversion to GFY including additional day	1, 091	529	-562	-51.5	2, 105	1, 576	..
TOTAL GOVERNMENT FISCAL YEAR MAN-YEARS	684, 192	685, 423	1, 231	0.2	672, 737	-12, 686	-1.8

CATEGORY I
SERVICES AT SMALL POST OFFICES
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions	296,750	281,027	-15,723	-5.3	278,508	-2,519	-0.9
2. Manyears	287,479	285,820	-1,659	-0.6	279,991	-5,829	-2.0
COMMITMENTS (\$000)							
A. Postal Operations at Small Offices	1,825,142	2,023,654	198,512	10.9	2,129,449	105,795	5.2
B. Collection and City Delivery	1,167,789	1,267,298	99,509	8.5	1,320,744	53,446	4.2
C. Special Delivery	16,719	18,584	1,865	11.2	19,569	985	5.3
D. Rural Delivery Routes	551,066	599,502	48,436	8.8	631,321	31,819	5.3
TOTAL/DIRECT COMMITMENTS	3,560,716	3,909,038	348,322	9.8	4,101,083	192,045	4.9
EXPENDITURES	3,557,941	3,868,762	310,821	8.7	4,082,761	213,999	5.5
ACCRUED COST	3,560,716	3,909,038	348,322	9.8	4,101,083	192,045	4.9

This program activity includes all postal operations, including delivery service, at all post offices except the largest 176 offices. The resources required include the salaries and related costs of postmasters, supervisors, clerks, city and rural carriers, and special delivery messengers.

It is estimated that 1975 commitments will increase \$192,045,000 or 4.9 percent over 1974. This increase is the result of the following factors:

Pay increases	\$137,879,000
Cost of Living Allowance	55,941,000
Within-grade Salary Increases	38,230,000
Health Insurance	12,824,000
Life Insurance	22,273,000
Net Workload	- 77,702,000
Other	2,600,000

Pay Increases: Included are estimated carry-over costs of \$15,886,000 for pay raises granted in 1974 and \$121,993,000 for pay raises effective in 1975.

Cost of Living Allowance: An increase of \$33,270,000 is estimated for the 1974 carry-over costs and \$22,671,000 is projected for 1975.

Within-grade Salary Increases: An estimated increase of \$38,230,000 is included for within-grade salary increases.

Fringe Benefits: An increase for health insurance of \$12,824,000 and for life insurance of \$22,273,000 is included.

Workload: Gross workload will increase \$50,043,000 due primarily to the anticipated mail volume increase of 0.8 percent. This increase, however, will be more than offset by productivity savings of \$127,745,000 resulting from increased mechanization of mail-handling operations; increased carrier motorization; acquisition of lobby, window and self-service equipment; and various procedural and management improvements. This gives a net workload decrease of \$77,702,000.

Other increases of \$2,600,000 are largely due to equipment maintenance allowances for rural carriers.

CATEGORY I - SERVICES AT SMALL OFFICES
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel Compensation	3,193,936	3,497,424	303,488	9.5	3,646,349	148,925	4.3
Personnel Benefits	278,969	309,724	30,755	11.0	350,244	40,520	13.1
Subtotal	3,472,905	3,807,148	334,243	9.6	3,996,593	189,445	5.0
Travel	1,380	1,588	208	15.1	1,685	97	6.1
Carfare and taxi	2,153	2,394	241	11.2	2,578	184	7.7
Drive-out allowances	1,935	2,924	989	51.1	2,826	-98	-3.4
Transportation of household effects	120	117	-3	-2.5	117	...	...
Equipment maintenance - special delivery	203	298	95	46.8	310	12	4.0
Equipment maintenance - rural delivery	76,234	88,593	12,359	16.2	90,599	2,006	2.3
Tolls and ferrage	23	23	...	...	25	2	8.7
Rental allowance fourth class post offices	5,043	5,180	137	2.7	5,536	356	6.9
Special delivery fees	720	773	53	7.4	814	41	5.3
Subtotal	87,811	101,890	14,079	16.0	104,490	2,600	2.6
TOTAL	3,560,716	3,909,038	348,322	9.8	4,101,083	192,045	4.9
<u>Craft Distribution</u>							
Postmasters	455,419	497,345	41,926	9.2	527,592	30,247	6.1
Supervisors	245,516	281,285	35,769	14.6	301,012	19,727	7.0
Clerks	1,124,207	1,245,024	120,817	10.7	1,300,845	55,821	4.5
Carriers	1,167,789	1,267,298	99,509	8.5	1,320,744	53,446	4.2
Special delivery messengers	16,719	18,584	1,865	11.2	19,569	985	5.3
Rural carriers	551,066	599,502	48,436	8.8	631,321	31,819	5.3
TOTAL	3,560,716	3,909,038	348,322	9.8	4,101,083	192,045	4.9

CATEGORY I
SERVICES AT SMALL OFFICES
WORKLOAD
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
A. Collection and City Delivery - Small Offices:							
1. Number of possible deliveries (000)...	31,849	32,713	864	2.7	33,589	876	2.7
2. Number of pickups (000).....	43,517	43,954	437	1.0	44,314	360	0.8
B. Special Delivery - Small Offices:							
1. Number of pieces delivered (millions)	15.4	15.3	-0.1	-0.6	15.3	...	...
C. Rural Delivery Routes - Small Offices:							
1. Number of families served (000).....	10,979	11,073	94	0.9	11,456	383	3.5

CATEGORY II
WINDOW AND COLLECTION SERVICES - LARGE OFFICES
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions.....	26,187	25,573	-614	-2.3	26,135	562	2.2
2. Man-years.....	25,211	25,699	488	1.9	25,977	278	1.1
COMMITMENTS (\$000)							
A. Window and Vending Services	190,124	212,912	22,788	12.0	230,225	17,313	8.1
B. Collection Services	29,030	31,911	2,881	9.9	35,223	3,312	10.4
C. Support Services	96,621	108,873	12,252	12.7	117,306	8,433	7.8
<u>TOTAL/DIRECT COMMITMENTS</u>	315,775	353,696	37,921	12.0	382,754	29,058	8.2
<u>EXPENDITURES.....</u>	315,380	349,709	34,329	10.9	380,553	30,844	8.8
<u>ACCRUED COST</u>	315,775	353,696	37,921	12.0	382,754	29,058	8.2

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; the cost of all contract stations and branches; and the routine minor maintenance and servicing

of automatic vending equipment within the post office lobbies and of the self-service units installed as drive-up and mail-type units.

It is estimated that 1975 commitments will increase \$29,058, 000 or 8.2 percent over 1974. This increase is the result of the following factors:

Pay increases	\$12,787,000
Cost of living allowance	5,201,000
Health benefits	1,106,000
Life insurance	2,012,000
Within-grade salary increases	3,092,000
Workload	4,036,000
Other	824,000

Increases in salaries and benefits will total \$28,234,000 in FY 1975.

Gross workload will increase \$7,202,000 due primarily to an anticipated increase in mail volume of 0.8 percent as

well as additional collection services (pickups) of 0.8 percent. This increase, however, will be offset by productivity savings of \$3,166,000 resulting from more efficient use of window clerks as augmented by the acquisition of lobby, window service and self-service equipment and from procedural improvements in the collection of mail.

Other increases of \$824,000 are primarily for 194 additional contract stations and increased costs of existing stations.

CATEGORY II - WINDOW AND COLLECTION SERVICES - LARGE OFFICES
 Resource Requirements
 1973 - 1975
 (\$000)

ITEM	1973 Actual	1974 Estimate	1974		1975 Estimate	1975		Increase Amount	Increase Pct.
			Estimate	Pct.		Estimate	Pct.		
Personnel compensation	278,117	312,362	34,245	12.3	335,931	23,569	7.5		
Personnel benefits	23,847	26,420	2,573	10.8	31,085	4,665	17.7		
Subtotal	301,964	338,782	36,818	12.2	367,016	28,234	8.3		
Contract stations	13,811	14,914	1,103	8.0	15,738	824	5.5		
TOTAL	315,775	353,696	37,921	12.0	382,754	29,058	8.2		
<u>Craft Distribution</u>									
Supervisors	38,339	44,257	5,918	15.4	48,279	4,022	9.1		
Clerks	243,393	271,889	28,496	11.7	293,028	21,139	7.8		
City Carriers	34,043	37,550	3,507	10.3	41,447	3,897	10.4		
TOTAL	315,775	353,696	37,921	12.0	382,754	29,058	8.2		

CATEGORY II
WINDOW AND COLLECTION SERVICES - LARGE OFFICES
WORKLOAD
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Collection Services:							
A. Number of pickups (000)	68,478	69,163	685	1.0	69,731	568	0.8

CATEGORY III
DELIVERY SERVICES - LARGE OFFICES
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions	63,914	61,319	-2,595	-4.1	61,238	-81	-0.1
2. Man-years	64,822	64,684	-138	-0.2	63,623	-1,061	-1.6
COMMITMENTS (\$000)							
A. City Delivery	599,422	649,323	49,901	8.3	682,968	33,645	5.2
B. Special Delivery	43,769	47,251	3,482	8.0	49,807	2,556	5.4
C. Rural Delivery Routes	15,658	15,947	289	1.8	16,901	954	6.0
D. Support Services	114,931	120,509	5,578	4.9	128,136	7,627	6.3
TOTAL/DIRECT COMMITMENTS	773,780	833,030	59,250	7.7	877,812	44,782	5.4
EXPENDITURES	773,782	823,918	50,136	6.5	873,486	49,568	6.0
ACCRUED COST	773,780	833,030	59,250	7.7	877,812	44,782	5.4

This program activity 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.

It is estimated that 1975 commitments will increase \$44,782,000 or 5.4 percent over 1974. This increase is the result of the following factors:

Pay Increases	\$30,236
Cost of Living Allowance	12,279
Health Benefits	3,113
Life Insurance	4,867
Within-grade Salary Increases	8,293
Net Workload	-14,291
Other (see Resource schedule)	285

Increases in salaries and benefits will total \$44,497,000.
Gross workload will increase \$17,622,000 due primarily to

the anticipated increase in possible deliveries. This increase will be offset by productivity savings of \$31,913,000 reflecting the continued program of carrier motorization and management and procedural improvements.

Other increases of \$285,000 are primarily for equipment maintenance, travel, carfare and taxi, tolls and ferrriage and special delivery fees with a decrease in carrier drive-out allowances, due to motorization.

CATEGORY III
DELIVERY SERVICES - LARGE OFFICES
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel compensation	695,776	747,326	51,550	7.4	782,542	35,216	4.7
Personnel benefits	68,557	73,868	5,311	7.7	83,149	9,281	12.6
Subtotal	764,333	821,194	56,861	7.4	865,691	44,497	5.4
Travel	24	56	32	133.3	322	266	475.0
Carfare and taxi	4,095	4,360	265	6.5	4,696	336	7.7
Drive-out allowances	2,992	4,657	1,665	55.6	4,236	- 421	- 9.0
Equipment maintenance - special delivery	136	163	27	19.9	170	7	4.3
Equipment maintenance - rural delivery	1,641	1,907	266	16.2	1,951	44	2.3
Tolls and ferrriage	519	652	133	25.6	702	50	7.7
Special delivery fees	40	41	1	2.5	44	3	7.3
Subtotal	9,447	11,836	2,389	25.3	12,121	285	2.4
Total	773,780	833,030	59,250	7.7	877,812	44,782	5.4
<u>Craft Distribution</u>							
City Carriers	714,353	769,832	55,479	7.8	811,104	41,272	5.4
Special Delivery Messengers	43,769	47,251	3,482	8.0	49,807	2,556	5.4
Rural Delivery Carriers	15,658	15,947	289	1.8	16,901	954	6.0
Total	773,780	833,030	59,250	7.7	877,812	44,782	5.4

CATEGORY III
DELIVERY SERVICES - LARGE OFFICES
WORKLOAD
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
A. City Delivery-Large Offices							
Number of possible deliveries (000)							
1. Single-trip service	27,133	27,869	736	2.7	28,616	747	2.7
2. Multi-trip service	1,093	1,067	-26	-2.4	1,043	-24	-2.2
B. Special Delivery Large-Offices							
Number of pieces delivered (millions)	68.6	68.1	-0.5	-0.7	67.8	-0.3	-0.4
C. Rural Delivery-Large Offices							
1. Number of families served (000)	521	527	6	1.2	544	17	3.2

CATEGORY IV
 PROCESSING OF MAIL - LARGE OFFICES
 1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
1. Positions	240, 100	230, 606	- 9, 494	-4.0	227, 175	- 3, 431	-1.5
2. Man-years	230, 670	230, 648	- 22	...	221, 576	- 9, 072	-3.9
<u>COMMITMENTS (\$000)</u>							
A. Platform Operations	321, 241	346, 328	25, 087	7.8	332, 846	-13, 482	-3.9
B. Mail Preparation	71, 159	77, 172	6, 013	8.4	76, 099	- 1, 073	-1.4
C. Mail Distribution	1, 822, 219	1, 983, 674	161, 455	8.9	1, 981, 294	-2, 380	-0.1
D. Bulk Mail Program	2, 620	36, 577	33, 957	...	131, 222	94, 645	...
E. Support Services	551, 637	596, 995	45, 358	8.2	597, 224	229	...
<u>TOTAL/DIRECT COMMITMENTS</u>	2, 768, 876	3, 040, 746	271, 870	9.8	3, 118, 685	77, 939	2.6
<u>EXPENDITURES</u>	2, 762, 048	3, 006, 273	244, 225	8.8	3, 104, 543	98, 270	3.3
<u>ACCRUED COST</u>	2, 768, 876	3, 040, 746	271, 870	9.8	3, 118, 685	77, 939	2.6

This program activity includes those functions involved in the processing of all incoming and outgoing mail in the 176 largest post offices and in railway and highway post offices. Included is the loading and unloading of vehicles, movement of the mail to and from the workroom floor, preparation of originating mail for distribution, preparation of mail for delivery, and manual and mechanized distribution of all mail at the largest post offices.

It is estimated that 1975 commitments will increase \$77, 939, 000 or 2.6 percent over 1974. This increase is the result of the following factors:

Pay Increases	\$112, 803, 000
Cost-of-living Allowance	46, 287, 000
Health Benefits	9, 919, 000
Life Insurance	17, 777, 000
Within-grade increases	41, 109, 000
Net Workload	-140, 734, 000
Other (see resource schedule)	- 9, 222, 000

Pay Increases:

It is estimated that carryover costs for pay increases applicable to 1974 will be \$13,760,000 and 1975 pay costs will be \$99,043,000.

Cost-of-Living-Allowances:

Increased costs for 1975 are estimated to be \$46,287,000 with \$27,575,000 applicable to carryover costs from 1974.

Fringe Benefits:

This estimate provides for an increase of \$9,919,000 in health benefits and \$17,777,000 for life insurance.

Within-Grade Increases:

\$41,109,000 is included for estimated within-grade increases.

Net Workload:

Workload costs are estimated to increase \$126,225,000 due primarily to the increase in mail volume and bulk mail startup and operating costs. These costs will be offset by productivity savings of \$266,959,000 through continued mechanization of mail processing operations, Bulk Mail Operations, and other procedural and management service improvements.

Other decreases of \$9,222,000 are associated with a reduction in contract mail handling costs of \$9,232,000 and a \$10,000 increase in personnel related travel.

CATEGORY IV - PROCESSING OF MAIL - LARGE OFFICES
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel compensation	2,538,953	2,770,333	231,380	9.1	2,829,479	59,146	2.1
Personnel benefits	198,517	238,077	39,560	19.1	266,092	28,015	11.8
Subtotal	2,737,470	3,008,410	270,940	9.9	3,095,571	87,161	2.9
Travel	130	141	11	8.5	151	10	7.1
Contract mail handling	31,276	32,195	919	2.9	22,963	-9,232	-28.7
Subtotal	31,406	32,336	930	3.0	23,114	-9,222	-28.5
TOTAL	2,768,876	3,040,746	271,870	9.8	3,118,685	77,939	2.6
<u>Craft Distribution</u>							
Supervisors	250,802	273,956	23,154	9.2	273,938	-18	...
Clerks and mailhandlers	2,021,957	2,178,036	156,079	7.7	2,135,349	-42,687	-2.0
City carriers	462,221	519,982	57,761	12.5	555,213	35,231	6.8
Other	31,276	32,195	919	2.9	22,963	-9,232	-28.7
<u>Bulk Mail</u>							
General Managers .....	...	342	342	...	399	57	16.7
Administrative Personnel .....	...	2,583	2,583	...	11,965	9,382	...
Supervisors	2,620	6,870	4,250	...	24,657	17,787	...
Clerks and mailhandlers .....	...	22,128	22,128	...	67,504	45,376	...
Vehicle drivers .....	...	277	277	...	1,336	1,059	...
Maintenance Service .....	...	4,377	4,377	...	25,361	20,984	...
Subtotal	2,620	36,577	33,957	...	131,222	94,645	...
TOTAL	2,768,876	3,040,746	271,870	9.8	3,118,685	77,939	2.6

CATEGORY V
TRANSPORTATION
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
1. Positions	6,811	6,648	-163	-2.4	5,978	-670	-10.1
2. Manyears	6,995	6,980	-15	-0.2	6,436	-544	-7.8
<u>COMMITMENTS (\$000)</u>							
A. Local Transportation Service	81,395	89,219	7,824	9.6	88,171	-1,048	-1.2
B. Intercity Transportation	549,186	577,775	28,589	5.2	593,102	15,327	2.7
C. International Transportation	140,507	152,820	12,313	8.8	161,348	8,528	5.6
D. Support Services	12,699	14,284	1,585	-12.5	14,017	-267	-1.9
<u>TOTAL COMMITMENTS</u>	783,787	834,098	50,311	6.4	856,638	22,540	2.7
Less Reimbursable Costs	-77,982	-88,125	-10,143	...	-93,043	-4,918	...
<u>DIRECT COMMITMENTS</u>	705,805	745,973	40,168	5.7	763,595	17,622	2.4
<u>EXPENDITURES</u>	759,305	846,443	87,138	11.5	854,028	7,585	0.9
<u>ACCRUED COST</u>	705,805	745,973	40,168	5.7	763,595	17,622	2.4

This program activity provides for local, intercity, and international transportation of mail by air, rail, highway and boat. This includes transportation by Postal Service carriers and commercial vehicles. International transportation of mail includes the transportation of mail to U. S. military forces overseas in accordance with the Postal Service and Department of Defense agreement.

The 1975 costs for transportation include allowances for workload increases due to mail volume and expected area wage adjustments for highway contracts. The 1975 commitments are estimated to exceed the 1974 level by \$22,540,000. This covers the following:

Local Transportation and Support Service:

Costs are estimated to decrease \$1,315,000 in 1975. This decrease is the net effect of the following:

Salaries and benefits are estimated to increase \$5,699,000 including carryover costs from 1974 amounting to \$1,240,000.

Increased workload is estimated to cost \$1,760,000 which is offset by service improvements of \$9,367,000, giving a net decrease of \$7,607,000.

Costs for contract mail messenger service are expected to increase \$593,000 in 1975.

Intercity Transportation:

Costs are estimated to increase \$15,327,000 or 2.7 percent over 1974. This is the result of an increase in area wages and other contractual costs in the following modes of transportation:

Air transportation is estimated to increase \$6,366,000. This is primarily the result of our efforts to improve mail service by transporting first-class mail on a space available basis

Rail transportation costs are estimated to increase \$1,053,000 which is related to the 0.58 percent volume increase and anticipated contract rate increases. Costs for expanding the frequency of scheduled van dispatches and related ramp/deramp costs are also included.

Highway transportation costs are estimated to increase \$7,622,000 as the result of contract renewals, re-advertisements and public law adjustments.

Water transportation costs are estimated to increase \$286,000 as the result of contract rate increases.

International Transportation:

International transportation reflects an increase of \$8,528,000 resulting from anticipated contract rate adjustments. This estimate provides for the transportation of military mail by commercial carriers which is to be reimbursed by the Department of Defense as follows:

1973	.....	\$77,982,000
1974	.....	88,125,000
1975	.....	93,043,000

CATEGORY V - TRANSPORTATION
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel compensation	77,893	84,908	7,015	9.0	82,325	-2,583	-3.0
Personnel benefits	7,122	7,971	849	11.9	8,646	675	8.5
Subtotal	85,015	92,879	7,864	9.3	90,971	-1,908	-2.1
Contract mail messenger	9,079	10,624	1,545	17.0	11,217	593	5.6
<u>Intercity Transportation</u>							
Air	214,154	224,274	10,120	4.7	230,640	6,366	2.8
Rail	90,298	95,962	5,664	6.3	97,015	1,053	1.1
Highway	240,098	252,414	12,316	5.1	260,036	7,622	3.0
Water	4,636	5,125	489	10.5	5,411	286	5.6
Subtotal	549,186	577,775	28,589	5.2	593,102	15,327	2.7
<u>International Transportation</u>							
Air	119,808	131,794	11,986	10.0	139,148	7,354	5.6
Water	20,699	21,026	327	1.6	22,200	1,174	5.6
Subtotal	140,507	152,820	12,313	8.8	161,348	8,528	5.6
TOTAL	783,787	834,098	50,311	6.4	856,638	22,540	2.7
<u>Craft Distribution</u>							
Supervisors	3,456	3,957	501	14.5	4,303	346	8.7
City Carriers	3,918	4,524	606	15.5	5,014	490	10.8
Vehicle Drivers	77,641	84,398	6,757	8.7	81,654	-2,744	-3.3
Other Cost	698,772	741,219	42,447	6.1	765,667	24,448	3.3
TOTAL	783,787	834,098	50,311	6.4	856,638	22,540	2.7

CATEGORY V
TRANSPORTATION WORKLOAD
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Transportation:							
A. Number of ton-miles (millions)							
1. Intercity air transportation	733	766	33	4.5	788	22	2.9
B. Number of pounds (millions)							
1. Intercity water transportation	68	67	- 1	-1.5	66	- 1	-1.5
C. Cubic feet of non-local surface mail ...	742,345	725,428	-16,917	-2.3	711,216	-14,212	-2.0

TRANSPORTATION (V) BY ACCOUNT
 PFY 1973 - 1975
 (\$000)

Description	Account Numbers	1973 Actual	1974 Estimate	Increase or Decrease (-)		1975 Estimate	Increase or Decrease (-)		
				Amount	%		Amount	%	
Transportation									
A. Local Transportation:									
Supervisors		2,860	3,312	452	15.8	3,595	283	8.5	
Vehicle Drivers		66,143	71,481	5,338	8.1	69,147	-2,334	3.3	
City Delivery Carriers		3,313	3,802	489	14.8	4,212	410	10.8	
Other:									
Contract Mail Messenger	63224	9,079	10,624	1,545	17.0	11,217	593	5.6	
Total A		81,395	89,219	7,824	9.6	88,171	-1,048	-1.2	
B. Inter-city Air Transportation:									
Domestic Airmail		144,873	150,953	6,080	4.2	155,120	4,167	2.8	
Domestic Airmail - Exception		-613	-697	-84	-13.7	-720	-23	3.3	
Domestic Air Taxi		18,023	19,065	1,042	5.8	19,663	598	3.1	
Domestic Airlift - FCM		46,435	50,305	3,870	8.3	51,881	1,576	3.1	
Domestic Airlift - Exceptions		-347	-390	-43	12.4	-402	-12	3.1	
Domestic Airlift - Bulk Mail		3,261	3,255	-6	-0.2	3,255	**	**	
Domestic Airlift - PAL/SAM		1,642	1,783	141	8.6	1,843	60	3.4	
Domestic Airlift - Alaskan Emergency		880	***	-880	***	***	***	***	
Uncertified Route Contract		214,154	224,274	10,120	4.7	230,640	6,366	2.8	
Subtotal B		6	6	***	***	6	***	***	
Other Rail Transportation:									
Switching Rail Service - SC		63235	***	***	***	***	***	***	
Ramp/Deramp and Shuttle - SC		63237	36	4	12.5	38	2	5.6	
Damage to Contractor's Vans - SC		63238	114	2	1.8	110	-4	-3.5	
Demurrage on Vans - SC		63239	4,247	4,587	8.0	4,810	223	4.9	
Terminal Handling - Region		63536	669	66	10.9	702	33	4.9	
Ramp/Deramp and Shuttle - Region		63537	5,000	5,412	412	8.2	5,666	254	
Subtotal B		647	694	47	7.3	731	37	5.3	
Railroad Post Office - Region									
Line Haul and Freight:									
Mail and Express - Region		68532	6,146	393	6.8	6,335	189	3.1	
Freight Train Service - Region		63533	75,134	4,436	5.9	80,015	445	0.6	
Passenger Train Service - Region		63534	3,568	3,931	363	4,053	122	3.1	
Domestic - through Service - Region		63563	196	209	13	215	6	2.9	
Subtotal B		84,651	89,856	5,205	6.1	90,618	762	0.8	
Highway Post Office - Region		63523	225	243	18	256	13	5.3	

TRANSPORTATION (V) BY ACCOUNT - Cont'd.
 PFY 1973 - 1975
 (\$000).

Description	Account Numbers	1973 Actual	1974 Estimate	Increase or Decrease (-)		1975 Estimate	Increase or Decrease (-)		
				Amount	%		Amount	%	
Star Route Service:									
Intercity Truck - SC	63221	104,765	109,603	4,838	4.6	112,738	3,135	2.9	
Damage to Vans - SC	63225	35	57	22	62.8	60	3	5.3	
Contract Intercity Truck - R	63521	134,672	142,100	7,428	5.5	146,549	4,449	3.1	
Subtotal B		239,472	251,760	12,288	5.1	259,347	7,587	3.0	
Bus	63522	401	411	10	2.5	433	22	5.4	
Water Transportation - Intercity:									
Domestic Water Service - SC	63272	517	533	16	3.0	563	30	5.6	
Domestic Container Rate - R	63571	2,625	2,922	297	11.3	3,091	169	5.8	
Domestic Other than Container Rate - R	63572	1,151	1,277	126	10.9	1,348	71	5.6	
Domestic Water Service - HQ	63672	343	393	50	14.6	409	16	4.0	
Subtotal B		4,636	5,125	489	10.5	5,411	286	5.6	
Total B		549,186	577,775	28,589	5.2	593,102	15,327	2.7	
C. International Transportation - Air:									
Airmail	63611	36,716	38,441	1,725	4.7	40,586	2,145	5.6	
Airlift - First Class	63613	323	346	23	7.1	365	19	5.5	
Certified Air Carrier Contracts	63615	...	...	...	...	...	...	...
Military - Airmail Rates	63617	33,846	36,290	2,444	7.2	38,315	2,025	5.6	
Military Other than Airmail	63618	16,083	18,212	2,129	13.2	19,228	1,016	5.6	
Military Combat/Surface Mail	63619	28,054	33,623	5,569	19.9	35,500	1,877	5.6	
Air Terminal/Transit Charges	63651	4,786	4,882	96	2.0	5,154	272	5.6	
Airlift Surface Mail	63696	119,808	131,794	11,986	10.0	139,148	7,354	5.6	
Subtotal C		119,808	131,794	11,986	10.0	139,148	7,354	5.6	
Water Transportation International:									
Surface Terminal/Transit Charges	63657	11,677	11,592	-85	-0.7	12,239	647	5.6	
International Through Service	63667	450	457	7	1.6	483	26	5.7	
International Container Rates	63673	2,304	2,366	62	2.7	2,392	26	1.0	
International Other than Container Rates	63674	6,268	6,611	343	5.5	7,086	475	7.1	
Subtotal C		20,699	21,026	327	1.6	22,200	1,174	5.6	
Total C		140,507	152,820	12,313	8.8	161,348	8,528	5.6	
D. Support Services:									
Supervisors	645	596	645	49	8.2	708	63	9.8	
Vehicle Drivers	605	11,419	12,917	1,498	12.3	12,507	-410	3.2	
City Delivery Carriers	605	605	722	117	19.3	802	80	11.1	
Total D		12,699	14,284	1,585	12.5	14,017	-267	-1.9	
Grand Total		783,787	834,098	50,311	6.4	856,638	22,540	2.7	

CATEGORY VI
LAW ENFORCEMENT
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions	4,820	5,712	892	18.5	6,585	873	15.3
2. Man-years	5,094	5,321	227	4.5	6,049	728	13.7
COMMITMENTS (\$000)							
A. Postal Crimes and Prohibited Mailings ...	31,827	34,431	2,604	8.2	35,490	1,059	3.1
B. USPS Security Force	22,024	29,581	7,557	34.3	44,145	14,564	49.2
C. Administration and Non-Criminal	21,427	20,530	- 897	- 4.2	21,165	635	3.1
D. Audit	9,249	13,097	3,848	41.6	14,024	927	7.1
TOTAL COMMITMENTS	84,527	97,639	13,112	15.5	114,824	17,185	17.6
Less reimbursable costs	-3,824	-3,510	314	...	- 3,695	- 185	...
DIRECT COMMITMENTS	80,703	94,129	13,426	16.6	111,129	17,000	18.1
EXPENDITURES	85,163	96,298	11,135	13.1	113,861	17,563	18.2
ACCRUED COST	80,703	94,129	13,426	16.6	111,129	17,000	18.1

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, related administrative functions and auditing.

The resource requirements reflected in this estimate include salaries and related costs of postal inspector, security force, auditing, and administrative personnel; contractual services; and miscellaneous expense.

The Postal Inspection Service expended 70.5 percent of its manpower in Fiscal Year 1973 on criminal investigations. This resulted in 18,340 arrests. Convictions were 98.1 percent.

The Inspection Service participates actively in Combined Government Strike Force units combating organized crime. Postal Inspectors are assigned to all of the 17 geographic units established by the Department of Justice. In addition, a significant number of other Postal Inspectors devote time to organized crime investigation.

In Fiscal Year 1973, Postal Inspectors were assigned to 16 of the 33 special Drug Abuse Law Enforcement teams established by the Department of Justice. Participation in this effort is expected to expand in Fiscal Year 1974.

Beginning in Fiscal Year 1971, the Inspection Service was assigned the responsibility for the major efforts to improve security for postal personnel and postal property and provide perimeter security at USPS-operated buildings housing Federal District and/or Circuit court facilities. The Major Facilities Security Program was functioning in 29 geographic locations encompassing 64 separate facilities by the end of Fiscal Year 1973. The Federal Court Protection Program was operating at 36 locations by the end of Fiscal Year 1973.

Special attention is devoted to increasing sophistication in criminal technique and methodology. An extensive program for field testing of 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.

In past years, Inspectors and Auditors were shown as two separate crafts. With reorganization, the former Internal

Audit Division has been effectively integrated into the overall Inspection Service organization to the extent that distinctions between the two crafts have been minimized. Audit work formerly performed by both auditors and inspectors has now successfully been blended into one well-coordinated effort. During Fiscal Year 1974, it is planned to successfully merge the Auditor craft into the Postal Inspector craft. Thus, in this budget, the Auditor craft as a separate item has been eliminated.

The \$17,185,000 increase in program costs for Fiscal Year 1974 covers the following:

Pay increases	\$3,228,000
Cost of Living Allowance	1,040,000
Health increases	229,000
Within-grade salary increases	967,000
Life insurance increases	507,000
Net workload	10,882,000
Other	332,000

The workload increase of \$10,882,000 provides for the employment of 873 additional positions and 728 additional man-years to support the planned activities in this program category during Fiscal Year 1975. The major portion of this increase, \$7,988,000, is for 589 man-years of additional manpower needed in the projected expansion of the Security Force at the 19 new bulk mail facilities which are scheduled to commence operations during Fiscal Year 1975. The remaining increase of \$2,894,000 includes costs of 139 additional man-years needed to handle the increasing workload in the audit and criminal investigative areas. The additional man-years required in these two areas are as follows: Headquarters, 6; Inspectors, 76; Support personnel, 45; and Special investigators, 12.

CATEGORY VI - LAW ENFORCEMENT
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel Compensation	72,298	81,882	9,584	13.3	96,925	15,043	18.4
Personnel Benefits	6,655	7,715	1,060	15.9	9,525	1,810	23.5
Subtotal	78,953	89,597	10,644	13.5	106,450	16,853	18.8
Travel	4,319	4,518	199	4.6	4,900	382	8.5
Transportation of things	244	194	-50	-20.5	221	27	13.9
Communications	6	8	2	33.3	8	..	..
Photographs, cuts, etchings	11	12	1	9.1	13	1	8.3
Other services	739	3,030	2,291	310.0	2,930	-100	-3.3
Supplies and materials	114	110	-4	-3.5	115	5	4.5
Claims and indemnities	141	170	29	20.6	187	17	10.0
Subtotal	5,574	8,042	2,468	44.3	8,374	332	4.1
Total	84,527	97,639	13,112	15.5	114,824	17,185	17.6
<u>Craft Distribution</u>							
Headquarters	3,384	4,511	1,127	33.3	4,777	266	5.9
Inspectors/Auditors	40,591	44,969	4,378	10.8	46,807	1,838	4.1
Courtroom Security	3,824	3,510	-314	-8.2	3,695	185	5.3
Major Facilities Security	18,200	26,071	7,871	43.2	40,450	14,379	55.2
Support Personnel	11,614	13,096	1,482	12.8	13,568	472	3.6
Detailed Assistance	3,521	1,696	-1,825	-51.8	1,576	-120	-7.1
Special Investigators	3,393	3,786	393	11.6	3,951	165	4.4
Total	84,527	97,639	13,112	15.5	114,824	17,185	17.6

CATEGORY VI
LAW ENFORCEMENT
WORKLOAD
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Caseload:							
1. Letter box thefts	218,057	217,050	-1,007	-0.5	216,074	-976	-0.4
2. Internal mail thefts	22,715	23,481	766	3.4	24,107	626	2.7
3. Burglaries	2,586	2,496	-90	-3.5	2,381	-115	-4.6
4. Fraud	16,125	16,933	808	5.0	17,409	476	2.8
5. Obscene and other prohibited mailings ..	11,111	11,446	335	3.0	11,765	319	2.8
6. Other postal crimes	68,756	70,947	2,191	3.2	72,272	1,325	1.9
7. Audit inspections	25,249	21,455	-3,794	-15.0	22,528	1,073	5.0
8. Miscellaneous investigations	18,820	21,437	2,617	13.9	22,350	913	4.3
Total Caseload	383,419	385,245	1,826	0.5	388,886	3,641	0.9

CATEGORY VII
 RESEARCH, DEVELOPMENT, AND ENGINEERING
 1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
1. Positions	158	308	150	94.9	350	42	13.6
2. Man-years	165	237	72	43.6	329	92	38.8
<u>COMMITMENTS (\$000)</u>							
Research, development, and engineering.....	57,875	166,133	108,258	...	189,036	22,903	13.8
<u>TOTAL/DIRECT COMMITMENTS</u>	57,875	166,133	108,258	...	189,036	22,903	13.8
<u>EXPENDITURES</u>	53,879	157,964	104,085	...	180,768	22,804	14.4
<u>ACCRUED COST</u>	55,212	156,133	100,921	...	179,036	22,903	14.7

This activity provides for the costs of general research, applied research, systems planning and design, and personnel salaries and related costs of employees administering the research and engineering programs.

network, service improvements in transportation, and improved delivery services.

For 1975 work is continuing on systems to improve the processing of letters, flats, small parcels and rolls. Projects will deal with electronic mail, matrix sorter, OCR universal directory, maintenance systems, training devices and controls, presort transport and stack - letter mail code sort system, support to the Bulk Mail System

It is estimated that 1975 commitments will increase \$22,903,000 as follows:

Personnel Costs:

It is estimated that an additional \$371,000 will be required to provide pay increases, cost-of-living allowances, within-grade increases and fringe benefits.

Net Workload:

It is estimated that for the effective administration of research programs, an additional 92 man-years at a cost of \$2,517,000 will be required.

Other Costs:

Increases in contractual costs for research, development and engineering support services is estimated to be \$19,962,000. Also included is an increase of \$53,000 for personnel related travel; rent, communications, and utilities; and technical support services.

CATEGORY VII - RESEARCH, DEVELOPMENT, AND ENGINEERING
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel compensation	3,554	5,677	2,123	59.7	8,345	2,668	47.0
Personnel benefits	289	454	165	57.1	674	220	48.5
Subtotal	3,843	6,131	2,288	59.5	9,019	2,888	47.1
Travel	168	168	...	...	180	12	7.1
Rents, Communications, and Utilities	264	427	163	61.7	457	30	7.0
Research, Development, and Engineering Services	53,235	159,108	105,873	...	179,070	19,962	12.5
Other	365	299	-66	-18.1	310	11	3.7
Subtotal	54,032	160,002	105,970	...	180,017	20,015	12.5
Total	57,875	166,133	108,258	...	189,036	22,903	13.8
Craft Distribution							
Headquarters Personnel	4,011	6,299	2,288	57.0	9,199	2,900	46.0
Other	53,864	159,834	105,970	...	179,837	20,003	12.5
Total	57,875	166,133	108,258	...	189,036	22,903	13.8

CATEGORY VIII
ADMINISTRATION
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
1. Positions	29,602	29,765	163	0.6	30,083	318	1.1
2. Man-years	29,128	30,238	1,110	3.8	30,171	-67	-0.2
<u>COMMITMENTS (\$000)</u>							
A. National Headquarters Administration...	83,841	235,979	152,138	...	234,817	-1,162	-0.5
B. Regional Headquarters Administration ..	44,069	58,018	13,949	31.7	61,573	3,555	6.1
C. Post Office Administration	302,482	341,815	39,333	13.0	363,457	21,642	6.3
D. Other Administrative Costs	117,552	486,907	369,355	...	373,114	-113,793	-23.4
E. Administration of Postal Rates	1,385	2,643	1,258	90.8	2,788	145	5.5
<u>TOTAL COMMITMENTS</u>	549,329	1,125,362	576,033	...	1,035,749	-89,613	-8.0
Less Reimbursable Costs	-2,506	-2,381	125	...	-2,381	...	...
<u>DIRECT COMMITMENTS</u>	546,823	1,122,981	576,158	...	1,033,368	-89,613	-8.0
<u>EXPENDITURES</u>	532,271	1,099,356	567,085	...	1,014,279	-85,077	-7.7
<u>ACCRUED COSTS</u>	546,823	1,112,981	566,158	...	1,023,368	-89,613	8.1

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 in excess of leave used contribution to the Civil Service Retirement Fund for deficiencies created by postal pay raises after June 30, 1973, and miscellaneous expenses.

The net reduction of \$89, 613, 000 in program costs for Fiscal Year 1975 is made up as follows:

Pay increases	\$17, 176, 000
Cost of Living Allowance	5, 999, 000
Health insurance	1, 308, 000
Within-grade salary increases	5, 603, 000
Life insurance increases	2, 737, 000
Repricing of annual leave	1, 800, 000
Contribution to Retirement Fund deficit	-115, 793, 000
Workload	- 33, 000
Other (see Resource schedule)...	- 8, 410, 000

Five program subactivities are covered in this program activity as follows:

National Headquarters Administration:

This subactivity covers administrative and support functions at national headquarters; data management, processing, and information systems; postal training activities; and the Los Angeles Testing Center. It does not include the headquarters offices of the Inspection Service and the Research Departments. In Fiscal Year 1974, the two training centers, the Postal Service Management Institute and the Oklahoma Postal Training Institute, are merged into one facility titled the USPS Training and Development Institute. The 1975 estimate for this subactivity totals \$234, 817, 000 for 5, 274 positions and 4, 786 man-years and is a net decrease of \$1, 162, 000 from 1974. The net decrease is made up of salary and benefit increases of \$6, 647, 000, a workload increase of \$1, 781, 000 for 305 additional positions and 85 man-years, and a net decrease of \$9, 590, 000 for other items.

Regional Headquarters Administration:

This subactivity covers direction and administration of field activities at five regional offices composed of 84 districts. The 1975 estimate for this subactivity totals \$61, 573, 000 for 2, 119 positions and 2, 125 man-years and is an increase of \$3, 555, 000 over 1974. The increase is made up of salary and benefit increases of \$2, 981, 000, a workload increase of \$454, 000 for 21 additional positions and 20 man-years, and a net increase of \$120, 000 for other items.

Post Office Administration:

This program account covers all administrative functions performed in the 176 largest post offices, including assistance on regional and departmental studies. The 1975 estimate for this account totals \$363, 457, 000 for 22, 592 positions and 23, 162 man-years and is a net increase of \$21, 642, 000 over 1974. The net increase is made up of salary and benefit increases of \$23, 052, 000, a decrease of \$2, 268, 000 for 172 man-years reduction in employment, and an increase of \$858, 000 for other items.

Other Administrative Costs:

This program account covers costs of all claims and judgments against the Postal Service Fund, miscellaneous financial adjustments including uncollectible debts, contributions for workmen's compensation, administration of the retirement fund, and employees' earned annual leave in excess of that used. The 1975 estimate for this account totals \$373, 114, 000 and is a net decrease of \$113, 793, 000 from Fiscal Year 1974. The net decrease consists of \$1, 800, 000 additional for repricing of annual leave due to pay increases in FY 1974 and FY 1975; \$115, 793, 000 net reduction in reimbursement to the Civil Service Retirement and Disability Fund for deficiencies created by

postal pay raises prior to July 1, 1973, and \$200,000 additional for Administration of the Retirement Fund by the Civil Service Commission.

Administration of Postal Rates:

This program subactivity covers the Postal Rate Commission

which is an independent organization composed of five Commissioners, appointed by the President, and their support staff. The 1975 estimate for this account totals \$2,788,000 for 98 positions and 98 man-years and is an increase of \$145,000 over 1974. The increase consists of salary and benefit increases of \$143,000 and an increase of \$2,000 for contractual services.

CATEGORY VIII - ADMINISTRATION
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974		Increase		1975		Increase	
		Estimate	Amount	Pct.	Estimate	Amount	Pct.		
Personnel compensation	405,640	466,319	60,679	15.0	495,281	28,962	6.2		
Personnel benefits	90,055	473,628	383,573	...	363,463	-110,165	23.3		
Subtotal	495,695	939,947	444,252	89.6	858,744	-81,203	-8.6		
Travel and transportation of persons ...	11,452	11,428	-24	-0.2	12,279	851	7.4		
Transportation of things	437	372	-65	-14.9	373	1	0.3		
Other services	13,497	145,514	132,017	...	135,701	-9,813	-6.7		
Supplies and materials - training	1,036	1,398	362	34.9	1,629	231	16.5		
Claims, indemnities, and contributions .	27,212	26,703	-509	-1.9	27,023	320	1.2		
Subtotal	53,634	185,415	131,781	...	177,005	-8,410	-4.5		
Total Commitments	549,329	1,125,362	576,033	...	1,035,749	-89,613	8.0		

CATEGORY VIII - ADMINISTRATION
Resource Requirements - cont'd
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Craft Distribution:							
National Headquarters Administration	83,841	235,979	152,138	...	234,817	-1,162	-0.5
Regional Office Personnel	44,069	58,018	13,949	31.7	61,573	3,555	6.1
Postal Rate Commission	1,385	2,643	1,258	90.8	2,788	145	5.5
Postmasters	4,518	4,931	413	9.1	5,114	183	3.7
Supervisors	96,700	110,432	13,732	14.2	118,234	7,802	7.1
Clerks	201,264	226,452	25,188	12.5	240,109	13,657	6.0
Servicewide Costs:							
Personnel compensation and benefits:							
Accrued Annual Leave:							
Repricing	29,246	27,300	-1,946	6.7	29,100	1,800	6.6
Current Year Growth	6,359	...	-6,359	...	...	...	...
Workmen's Compensation	56,310	64,000	7,690	13.7	64,000	...	...
Retirement Bonus	6	...	-6	...	...	...	...
Contribution to the Retirement							
Fund Deficit .....	...	344,107	344,107	...	228,314	-115,793	-33.7
Unemployment Compensation .....	...	26,500	26,500	...	26,500	...	...
Subtotal - Personnel Compens-							
ation and Benefits	91,921	461,907	369,986	...	347,914	-113,993	-24.7
Other Costs:							
Administration of Retirement Fund	2,274	2,500	226	9.9	2,700	200	8.0
Claims and Indemnities	22,220	22,500	280	1.3	22,500	...	...
Other	1,137	...	-1,137	...	...	...	...
Total Servicewide Costs	117,552	486,907	369,355	...	373,114	-113,793	-23.4
Total	549,329	1,125,362	576,033	...	1,035,749	-89,613	-8.0

CATEGORY IX
LOGISTICAL POSTAL SUPPORT
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
1. Positions	32,772	33,333	561	1.7	33,958	625	1.9
2. Man-years	33,537	35,267	1,730	5.2	36,480	1,213	3.4
<u>COMMITMENTS (\$000)</u>							
A. Capital Investment	802,896	786,505	-14,391	-1.8	1,180,713	392,208	49.7
B. Expense	907,629	1,055,983	148,354	16.3	1,187,284	131,301	12.4
<u>TOTAL COMMITMENTS</u>	1,710,525	1,844,488	133,963	7.8	2,367,997	523,509	28.4
Less reimbursable costs	- 1,975	- 115	1,860	...	- 502	- 387	...
<u>DIRECT COMMITMENTS</u>	1,708,550	1,844,373	135,823	7.9	2,367,495	523,122	28.4
<u>EXPENDITURES</u>	1,226,827	1,742,900	516,073	42.1	1,984,034	241,134	13.8
<u>ACCRUED FUNDED COST</u>	895,966	1,045,833	149,867	16.7	1,176,589	130,756	12.5
Depreciation and Other Nonfunded Cost	112,876	136,378	23,502	20.8	162,347	25,969	19.0
<u>TOTAL ACCRUED COST</u>	1,008,842	1,182,211	173,369	17.2	1,338,936	156,725	13.3

CATEGORY IX - LOGISTICAL POSTAL SUPPORT
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel Compensation	342,446	397,494	55,048	16.1	439,033	41,539	10.5
Personnel Benefits	29,270	34,830	5,560	19.0	41,265	6,435	18.5
Subtotal	371,716	432,324	60,608	16.3	480,298	47,974	11.1
Travel and Transportation of Persons	451	448	-3	-0.7	481	33	7.4
Transportation of Things	28,747	28,604	-143	-0.5	29,407	803	2.8
Rents, Communications and Utilities	307,254	316,088	8,834	2.9	337,834	21,746	6.9
Printing and Reproduction	10,109	9,302	-807	-8.0	9,829	527	5.7
Other Services	32,595	99,581	66,986	...	100,485	904	0.9
Supplies and Materials	147,401	143,649	-3,752	-2.5	168,889	25,240	17.6
Equipment	307,928	248,234	-59,694	-19.3	321,308	73,074	29.4
Lands and Structures	484,764	537,661	52,897	10.9	856,655	318,994	59.3
Insurance, Claims and Indemnities	2,466	2,860	394	16.0	2,424	-436	-15.2
Interest Expense	17,094	25,737	8,643	50.6	60,387	34,650	...
Subtotal	1,338,899	1,412,164	73,355	5.5	1,887,699	475,535	33.7
Total	1,710,525	1,844,488	133,963	7.8	2,367,997	523,509	28.4

SUBCATEGORY IX-A
CAPITAL INVESTMENT
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions	243	...	-243	...	...	...	...
2. Man-years	241	...	-241	...	...	...	...
COMMITMENTS (\$000)							
A. Facilities	484,764	537,661	52,897	10.9	856,655	318,994	59.3
B. Mail Processing Equipment	231,398	156,617	-74,781	-32.3	191,680	35,063	22.4
C. Vehicles	43,098	28,159	-14,939	-34.7	68,794	40,635	144.3
D. Customer Services Equipment	8,850	22,667	13,817	156.1	21,311	-1,356	-6.0
E. Postal Support Equipment 1/	34,786	40,791	6,005	17.3	39,523	-1,268	-3.1
F. Debt Discount and Expense .....	...	2,610	2,610	100.0	2,750	140	5.4
TOTAL/DIRECT COMMITMENTS	802,896	788,505	-14,391	-1.8	1,180,713	392,208	49.7
EXPENDITURES	381,169	698,300	317,131	83.2	822,300	124,000	17.8
ACCRUED COSTS .....	...	...	...	...	...	...	...

1/ Includes \$10,204,000 incurred for the Mail Equipment Shops operation. Funds for this operation for FY 1974 and FY 1975 are included in operating budgets.

Facilities

This program includes site, design and building construction; purchase of facilities; improvements and

modification; and contractual support for the facilities program.

This Facilities program reflects the implementation and contractual schedules planned for Bulk Mail, general mail, and Regional building requirements. The Bulk Mail construction requirement is essentially completed in FY 1974. The general mail network and Regional building programs are to be accomplished by the USPS with a combination of "in-house" and contractual efforts. These latter two programs are directed toward achieving established service standards, improving working conditions, and providing operational savings. The Regional building program is especially oriented toward the improvement and modernization of existing leased and owned buildings.

Mail Processing Equipment

This program includes the fixed and non-fixed mechanization and equipment required for all facilities. With the fixed mechanization for the Bulk Mail network essentially committed to the Corps of Engineers during FY 1974, the FY 1975 program consists primarily of requirements for the general mail network buildings. The nonfixed mechanization and equipment program consists of items such as conveyors, cullers, sorters, and cancellers.

Vehicles

Vehicles include carrier motorization, transfer, law enforcement vehicles, as well as vehicle auxiliary equipment and freight. The planned procurement of vehicles by mission are shown below for FY 1974 and FY 1975:

	Vehicle Procurement	
	Units	Units
	1973	1974 (Est.)
Replacement Vehicles	11,667	3,727
New Service Vehicles	3,885	971
Total	15,552	4,698
		1975 (Est.)
		15,584
		5,755
		21,339

The FY 1974 decrease is primarily the result of USPS's first multi-year vehicle contract in 1972 which provided for FY 1973 procurement with FY 1974 delivery. FY 1975 reflects the continuation of this multi-year contracting and delivery.

Customer Service Equipment

This equipment is primarily lobby, window service and self-service equipment for post offices. This requirement envisions the continuation of the over-all objective to provide new and improved customer services and facilities.

Postal Support Equipment

Support equipment consists of office furniture and equipment; maintenance equipment; automatic data processing equipment; and freight for other than vehicles. The FY 1974 and FY 1975 programs exclude the requirements of the Mail Equipment Shops which are budgeted in the operating budget.

Debt Service Costs

This program is the service costs incurred in obtaining and issuing USPS bonds. Costs are based on \$.50 per thousand plus printing costs. Current forecasts of cash requirements for capital investment expenditures indicate the need for a bond issue of \$475 million in FY 1974 and \$500 million in FY 1975.

SUBCATEGORY IX-A - CAPITAL INVESTMENT
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel compensation	2,433	...	-2,433	...	...	...	...
Personnel benefits	209	...	-209	...	...	...	...
Total (nonadd included in MES costs)	2,642	...	-2,642	...	...	...	...
<u>Facilities</u>							
Construction	401,799	352,924	-48,875	-12.2	704,383	351,459	99.6
Building purchase	17,504	30,276	12,772	73.0	6,982	-23,294	76.9
Building improvements	65,461	154,461	89,000	136.0	145,290	-9,171	-5.9
Subtotal	484,764	537,661	52,897	10.9	856,655	318,994	59.3
<u>Mail Processing Equipment</u>							
Fixed mechanization	186,282	83,125	-103,157	-55.4	15,436	-67,689	81.4
Nonfixed mechanization	33,970	50,573	16,603	48.9	160,332	109,759	217.0
Other mail handling equipment	11,146	22,919	11,773	105.6	15,912	-7,007	30.6
Subtotal	231,398	156,617	-74,781	-32.3	191,680	35,063	22.4
<u>Vehicles</u>							
Carrier motorization	31,760	4,892	-26,868	-84.6	46,867	41,975	858.0
Bulk transfer	7,818	18,071	10,253	131.1	16,766	-1,305	-7.2
Law enforcement	333	270	-63	-18.9	467	197	73.0
Other vehicles	1,634	1,298	-336	-20.6	986	-312	-24.0
Vehicle auxiliary equipment	100	578	478	478.0	359	-219	-37.9
Freight - motor vehicles	1,453	3,050	1,597	109.9	3,349	299	9.8
Subtotal	43,098	28,159	-14,939	-34.7	68,794	40,635	144.3

SUBCATEGORY IX-A - CAPITAL INVESTMENT
Resource Requirements - cont'd.
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>Customer Services Equipment</u>							
Lobby equipment	4,636	6,998	2,362	50.9	6,912	-86	-1.2
Window service equipment	1,409	9,063	7,654	543.2	9,366	303	3.3
Self-service equipment	2,805	6,606	3,801	135.5	5,033	-1,573	-23.8
Subtotal	8,850	22,667	13,817	156.1	21,311	-1,356	-6.0
<u>Postal Support Equipment</u>							
Administrative and general support	14,409	15,811	1,402	9.7	18,280	2,469	15.6
Maintenance equipment	3,429	8,352	4,923	143.6	7,100	-1,252	-15.0
Automatic data processing	3,867	13,613	9,746	252.0	10,928	-2,685	-19.7
Mail Equipment Shops	10,204	1/	-10,204	-100.0	1/	...	...
Freight (other than vehicles)	2,877	3,015	138	4.8	3,215	200	6.6
Subtotal	34,786	40,791	6,005	17.3	39,523	-1,268	-3.1
<u>Debt Service</u> .....	...	2,610	2,610	...	2,750	140	5.4
<u>Total Capital</u>	802,896	788,505	-14,391	-1.8	1,180,713	392,208	49.7
<u>Craft Distribution</u>							
Mail Equipment Shops	10,204	1/	-10,204	...	1/	...	...
Other costs	792,692	788,505	-4,187	-0.5	1,180,713	392,208	49.7
Total	802,896	788,505	-14,391	-1.8	1,180,713	392,208	49.7

1/ Included in operating budget.

SUBCATEGORY IX-B - EXPENSE
1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
MANPOWER							
1. Positions	32,529	33,333	804	2.5	33,958	625	1.9
2. Man-years	33,296	35,267	1,971	5.9	36,480	1,213	3.4
COMMITMENTS (\$000)							
A. Building Occupancy	490,984	596,293	105,309	21.4	640,060	43,767	7.3
B. Supplies and Services	106,863	108,773	1,910	1.8	122,553	13,780	12.7
C. Building and Equipment Maintenance Service	133,924	156,990	23,066	17.2	175,400	18,410	11.7
D. Vehicle Service	147,810	148,073	263	0.2	167,428	19,355	13.1
E. Mail Containers	8,488	10,172	1,684	19.8	11,171	999	9.8
F. Interest Expense	17,094	25,737	8,643	50.6	60,387	34,650	...
G. Catastrophe Insurance	2,466	2,860	394	16.0	2,424	-436	-15.2
H. Mail Equipment Shops	1/	7,085	7,085	...	7,861	776	11.0
TOTAL COMMITMENTS	907,629	1,055,983	148,354	16.3	1,187,284	131,301	12.4
Less reimbursable costs	- 1,975	- 115	1,860	...	- 502	- 387	...
DIRECT COMMITMENTS	905,654	1,055,868	150,214	16.6	1,186,782	130,914	12.4
EXPENDITURES	845,658	1,044,600	198,942	23.5	1,161,734	117,134	11.2
ACCRUED COSTS	895,966	1,045,833	149,867	16.7	1,176,589	130,756	12.5

1/ Excludes \$10,204,000 incurred for Mail Equipment Shops operation, which was capitalized in FY 1973.

This program activity covers expenses such as rent and leasing services, operation and maintenance of buildings, maintenance of equipment, acquisition of supplies, interest on borrowing and catastrophe insurance.

Fiscal 1975 commitments are expected to increase \$131,301,000 or 12.4 percent above Fiscal 1974, primarily in occupancy, supplies and services, and interest costs.

The \$43,767,000 or 7.3 percent increase in Building Occupancy expenses represents normal growth in recurring leases and rental payments, taxes, and utilities (\$21,686,000), within-grade salary increases, carry-over costs from pay raises granted in Fiscal 1974 and new pay raises granted in Fiscal 1975 for custodial and guard personnel (\$20,300,000) and a decrease in the expensed repairs and improvement program for space occupied by the Postal Service (-\$792,000). This program is an important part of the total modernization effort and covers the cost of improving employee working conditions, safety and fire protection, as well as necessary repairs of an expensed nature. The remainder is in support of increased costs in Contractual/Cleaning Services (\$1,303,000) and Custodial Supplies and Outside Services (\$1,270,000).

The \$13,780,000 or 12.7 percent increase in Supplies and Services is due primarily to an additional allowance for Postal Supplies and Services (\$12,786,000) with the remainder required for increased compensation costs for previous field installation personnel. (\$994,000).

The cumulative \$39,104,000 or 12.0 percent increase for buildings and equipment maintenance service (\$18,410,000), Vehicle Service (\$19,355,000), and mail containers and Mail Equipment Shops (\$1,625,000) represents increased field and support-type personnel costs for within-grade salary increases, carry-over costs from pay raises granted in Fiscal 1974, and new pay raises in Fiscal 1975, normal growth in the shipment of empty mail containers (\$150,000), and a decrease in Catastrophe Insurance Expense (-\$436,000).

The \$34,650,000 increase in interest expense covers anticipated interest charges stemming from the sale of \$1,225 million in bonds outstanding at the end of 1975 to support the Postal Service capital investment program.

SUBCATEGORY IX-B - EXPENSE
Resource Requirements
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
Personnel compensation	340,013	397,494	57,481	16.9	439,033	41,539	10.4
Personnel benefits	29,061	34,830	5,769	19.9	41,265	6,435	18.5
Total (nonadd)	369,074	432,324	63,250	17.1	480,298	47,974	11.1
<u>Building Occupancy</u>							
Rents and utilities	307,566	316,088	8,522	2.8	337,774	21,686	6.9
Custodial and guard services	148,429	173,120	24,691	16.6	193,420	20,300	11.7
Contractual cleaning services	18,098	21,718	3,620	20.0	23,021	1,303	6.0
Custodial supplies and outside services	11,572	12,698	1,126	9.7	13,968	1,270	10.0
Building improvements, expensed	5,319	72,669	67,350	...	71,877	-792	-1.1
Total	490,984	596,293	105,309	21.4	640,060	43,767	7.3
<u>Supplies and Services</u>							
Supply center operation	3,596	4,459	863	24.0	4,976	517	11.6
Postal supplies and services	94,784	95,128	344	0.4	107,914	12,786	13.4
Stamped Envelope Agency	4,526	5,049	523	11.6	5,719	670	13.3
Label Printing Units	3,531	4,137	606	17.2	3,944	-193	-4.7
Other	426	...	-426	...	...	...	...
Total	106,863	108,773	1,910	1.8	122,553	13,780	12.7
<u>Building and Equipment Maintenance Service</u>							
Building and Equipment Maintenance Service	133,924	156,990	23,066	17.2	175,400	18,410	11.7
<u>Vehicle Service</u>	147,810	148,073	263	0.2	167,428	19,355	13.1

SUBCATEGORY IX-B - EXPENSE
Resource Requirements - Cont'd,
1973 - 1975
(\$000)

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>Mail Containers</u>							
Mail Bag Repair Centers and Depositories	6,159	7,485	1,326	21.5	8,334	849	11.3
Transportation of empty containers	2,329	2,687	358	15.4	2,837	150	5.6
Total	8,488	10,172	1,684	19.8	11,171	999	9.8
<u>Interest Expense</u>	17,094	25,737	8,643	50.6	60,387	34,650	134.6
<u>Catastrophe Insurance</u>	2,466	2,860	394	16.0	2,424	-436	-15.2
<u>Mail Equipment Shops</u>	...	7,085	7,085	...	7,861	776	11.0
Total Expense	907,629	1,055,983	148,354	16.3	1,187,284	131,301	12.4
<u>Craft Distribution</u>							
Cleaning and protective service	166,527	194,838	28,311	17.0	216,441	21,603	11.1
Maintenance service	133,924	156,990	23,066	17.2	175,400	18,410	11.7
Vehicle service	147,810	148,073	263	0.2	167,428	19,355	13.1
Mail Bag Repair Centers and Depositories	6,159	7,485	1,326	21.5	8,334	849	11.3
Label Printing Units	3,531	4,137	606	17.2	3,944	-193	-4.7
Stamped Envelope Agency	4,526	5,049	523	11.6	5,719	670	13.3
Supply Centers and Procurement Support Center	3,346	4,165	819	24.5	4,669	504	12.1
Equipment examiners	250	294	44	17.6	307	13	4.4
Mail Equipment Shops	...	7,085	7,085	...	7,861	776	11.0
Other costs	441,556	527,867	86,311	19.5	597,181	69,314	13.1
Total	907,629	1,055,983	148,354	16.3	1,187,284	131,301	12.4

CATEGORY X
 CONVERSION TO GOVERNMENT FISCAL YEAR INCLUDING ADDITIONAL DAY
 1973 - 1975

ITEM	1973 Actual	1974 Estimate	Increase		1975 Estimate	Increase	
			Amount	Pct.		Amount	Pct.
<u>MANPOWER</u>							
Man-years	1,091	529	-562	-51.5	2,105	1,576	...
<u>COMMITMENTS (\$000)</u>							
1. Change for additional days	54,778	6,898	-47,880	-87.4	39,144	32,246	...
2. Pay Increases	9,551	16,007	6,456	67.6	13,747	-2,260	-14.1
<u>TOTAL COMMITMENTS</u>	64,329	22,905	-41,424	-64.4	52,891	29,986	...
Less Reimbursable Costs	-511	...	511	...	...	...	...
<u>DIRECT COMMITMENTS</u>	63,818	22,905	-40,913	-64.1	52,891	29,986	...
<u>EXPENDITURES</u>	24,382	64,329	39,947	...	22,905	-41,424	-64.4
<u>ACCRUED COST</u>	36,669	22,905	-13,764	-37.5	52,891	29,986	...

This program activity provides for costs associated with the conversion from a postal fiscal year to a government fiscal year. All in-service reporting of financial and operating data is predicated on a postal fiscal year basis. The Postal Fiscal Years 1973 - 1975 cover the following time periods:

- PFY 1973 June 24, 1972 to June 22, 1973
- PFY 1974 June 23, 1973 to June 21, 1974
- PFY 1975 June 22, 1974 to June 20, 1975

Since each postal fiscal year contains 364 days and each government fiscal year contains 365 days, the difference is one day. In 1973 the additional day was a Saturday; in 1974 it will be a Sunday; and in 1975 a Monday. It is estimated that costs for additional day in 1975 will be \$32,246,000.

The amount included for pay increases providing coverage of the additional day in 1975 is estimated to be \$2,260,000 less than in 1974.

CATEGORY X
 CONVERSION TO GOVERNMENT FISCAL YEAR INCLUDING ADDITIONAL DAY
 Resource Requirements
 1973 - 1975
 (\$000)

ITEM	1973	1974		Increase		1975		Increase		
	Actual	Estimate	Amount	Pct.	Estimate	Amount	Pct.	Estimate	Amount	Pct.
Personnel compensation	-8,041	21,656	29,697	...	40,687	19,031	87.9	40,687	19,031	87.9
Personnel benefits	23,669	2,037	-21,632	-91.4	3,731	1,694	83.2	3,731	1,694	83.2
Benefits for former personnel	-67	...	67	...	...	...	...	...	...	...
Subtotal	15,561	23,693	8,132	52.3	44,418	20,725	87.5	44,418	20,725	87.5
Travel	50	...	-50	...	113	113	...	113	113	...
Transportation of things	8,506	212	-8,294	...	2,888	2,676	...	2,888	2,676	...
Rents, communications, and utilities ..	3,919	...	-3,919	...	1,128	1,128	...	1,128	1,128	...
Printing and reproduction	2,740	...	-2,740	...	32	32	...	32	32	...
Other services	5,140	-1,000	-6,140	...	3,408	4,408	...	3,408	4,408	...
Supplies and materials	27,245	...	-27,245	...	607	607	...	607	607	...
Other	1,168	...	-1,168	...	297	297	...	297	297	...
Subtotal	48,768	-788	-49,556	...	8,473	9,261	...	8,473	9,261	...
Total	64,329	22,905	-41,424	-64.4	52,891	29,986	...	52,891	29,986	...
Craft Distribution:										
Postmasters	-410	...	410	...	1,809	1,809	...	1,809	1,809	...
Supervisors	492	442	-50	-10.2	2,415	1,973	...	2,415	1,973	...
Clerk/Mailhandlers	6,887	3,357	-3,530	-51.3	12,368	9,011	...	12,368	9,011	...
City Carriers	5,169	2,560	-2,609	-50.5	9,010	6,450	...	9,010	6,450	...
Vehicle Drivers .....	...	...	...	...	280	280	...	280	280	...
Special Delivery Messengers	12	63	51	...	225	162	...	225	162	...
Rural Carriers	-78	...	78	...	1,918	1,918	...	1,918	1,918	...
Maintenance Service	348	337	-11	-3.2	1,280	943	...	1,280	943	...
Vehicle Service	37	81	44	...	318	237	...	318	237	...
Other Costs	51,872	16,065	-35,807	...	23,268	7,203	...	23,268	7,203	...
Total	64,329	22,905	-41,424	-64.4	52,891	29,986	...	52,891	29,986	...

U. S. Postal Service
Volume of Mail and Special Services
and Postal Revenue and Operating Income
for Fiscal Years 1973, 1974, and 1975
(in thousands)

Classification	Actual 1973		Estimated 1974 **		Estimated 1975 **	
	Pieces or Transactions	Postal Revenue %	Pieces or Transactions	Postal Revenue	Pieces or Transactions	Postal Revenue
First Class	50,964,631	4.15	51,853,585	\$ 5,192,804	52,715,300	\$ 5,939,171
Priority (Heavy Pieces)	209,046	0.69	352,128	387,169	219,964	421,029
Airmail	1,326,629	-2.42	212,772	216,219	1,194,468	231,152
Second Class	9,033,839	-4.85	185,900	224,927	9,055,143	288,426
Controlled Circulation Publications	581,645	5.82	36,805	41,220	650,424	45,094
Third Class	22,689,120	3.57	1,162,348	1,265,968	22,460,800	1,394,580
Fourth Class	893,081	-2.33	758,861	764,381	887,720	766,651
Penalty and Official Mail	2,755,976	7.51	374,348	380,230	2,789,095	415,026
Franked	293,171	-0.01	29,604	35,932	339,385	39,930
Free-for-the-Blind Mail	16,461	-4.31	...	...	20,100	...
International (Originating)	919,840	0.42	316,552	350,501	964,288	391,715
Total Mail Revenue	89,683,439	2.90	8,007,660	8,859,351	91,246,667	9,932,774
Special Services and Other:						
Box Rents	...	...	...	65,760	...	70,116
Money Order Fees	170,776	-3.02	54,218	55,619	168,120	54,889
Special Services	337,927	-2.09	206,458	205,040	332,601	203,419
New Products Revenue	...	...	1,017	38,662	...	57,805
Unassignable Revenue	...	...	11,196	14,800	...	14,800
Subtotal Special Services and Other *	...	...	333,955	379,881	...	401,029
Increase in Rates and Fees	...	...	...	33,220	...	75,500
Total Special Services and Other	...	...	333,955	413,101	...	476,529
Adjustment for Rate Increase Delay from 1/5/74 to 3/2/74	...	...	...	-235,922	...	...
Total Mail Revenue and Special Services	...	...	225,243	9,036,530	...	10,409,303
Other Income	...	...	15,224	16,675	...	17,675
Receipts from Appropriations	...	...	1,377,461	1,937,589	...	1,491,456
Investment Income	...	...	105,937	75,000	...	75,000
Total Income	...	...	9,840,237	11,065,794	...	11,933,434

1/ Includes a supplemental appropriation request to cover contribution to the fund deficit of the Civil Service Retirement Fund caused by postal pay raises prior to July 1, 1973, of \$284,667,000 and a proposed supplemental request of \$235,922,000 for revenue lost as a result of the delay in the postal rate increase from January 5, 1974, to March 2, 1974.

* Before Rates
** Estimated as of September 20, 1973.

U. S. Postal Service
Special Services Transactions and Postal Revenue
for Fiscal Years 1973, 1974, and 1975
(in thousands)

	Actual 1973		%	Estimated 1974		Estimated 1975	
	Transactions	Revenue		Transactions	Revenue	Transactions	Revenue
Special Services:							
Registry - Fees Affixed	45,857	\$ 60,058	-4.93	44,679	\$ 58,817	43,100	\$ 56,739
Registry - Other	16,377	...	...	12,500	...	12,350	...
Insurance	99,566	30,285	-6.50	94,143	28,628	90,015	27,373
Collect - On - Delivery	18,586	15,120	-2.60	18,297	15,013	18,045	14,807
Certified	73,637	31,148	5.96	79,960	33,576	86,025	36,122
Special Delivery	83,904	54,565	-2.22	83,400	54,396	83,066	54,178
Stamped Envelopes .....	...	15,282	-3.24	...	14,610	...	14,200
Total Special Services	337,927	206,458	-2.65	332,979	205,040	332,601	203,419

NEW PRODUCTS REVENUE
(in thousands of dollars)

	1973 Actual	1974 Estimate	1975 Estimate
Express Mail	152	6,100	9,000
Mailgrams	(2,293) <u>1/</u>	(4,200) <u>1/</u>	(7,000) <u>1/</u>
Control Pak .....	...	5,000	7,000
IRS Publications	452	1,400	1,875
Other Retail Products	413	5,562	6,575
Philatelic Items .....	...	20,600	33,355
Total	1,017 <u>2/</u>	38,662	57,805

1/ Amount included in airmail revenue.

2/ Identified by account. An estimated additional amount of \$16,864,000 is included in Total Mail Revenue.

TOTAL COMMITMENTS BY OBJECT
1973 - 1975
(Thousands of Dollars)

Category	(11) Personnel Compensation	(12) Personnel Benefits	(13) Benefits for Former Personnel	(21) Travel and Transportation of Persons	(22) Transportation of Things	(23) Comm., & Utilities	(24) Printing and Reproduction	(25) Other Services	(26) Supplies and Materials	(31) Equipment	(32) Land and Structures	(43) Insurance and Claims	(44) Dividends	Total
Fiscal Year 1973 (Actual)														
I. Services at Small Post Offices	3,103,936	278,969	...	5,491	76,557	5,043	...	720	3,560,716
II. Delivery and Collection Services	428,725	68,557	...	7,620	1,777	13,811	315,775
III. Delivery Services	695,776	68,557	...	1,180	31,276	40	773,780
IV. Processing of Mail	2,538,953	198,517	698,772	2,788,876
V. Transportation	777,893	7,122	244	739	114	884,527
VI. Law Enforcement	74,298	6,655	2	4,319	84,527
VII. Research, Development, and Engineering	3,554	289	...	168	...	264	...	53,235	365	57,875
VIII. Administration	405,640	89,846	209	11,452	437	13,497	27,212	549,329
IX. Logistical Postal Support	342,446	29,184	86	451	28,747	307,254	10,109	32,595	147,401	307,928	484,764	2,469	17,094	1,710,525
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
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X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
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X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
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X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
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X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819	17,094	10,605,130
X. Congressional Support	7,638,013	702,863	297	29,641	837,810	312,567	10,120	114,637	148,516	307,928	484,764	29,819		

PERSONNEL COMPENSATION COMMITMENTS 1973 - 1975
(\$000)

Category	Basic Salaries		Total	Other Personnel Costs					Total	Total Personnel Compensation	Other Costs	Total Personnel Compensation
	Regular	Hourly		Holiday Premium	Sunday Premium	Christmas Premium	Night Differential					
FISCAL YEAR 1973 (actual)												
I. Services at Small Post Offices...	2,572,115	464,870	2,976,985	8,641	5,596	898	20,032	216,951	3,193,936	...	3,193,936	
II. Window and Collection Services...	213,139	35,348	251,497	2,517	2,227	73	7,846	26,620	278,117	...	278,117	
III. Delivery Services...	1,839,969	369,249	2,209,218	208,838	21,518	626	73,711	323,745	2,538,953	...	2,538,953	
IV. Processing of Mail...	59,075	9,509	68,584	676	825	20	2,371	9,309	77,893	...	77,893	
V. Transportation...	67,123	3,517	70,640	387	476	71	627	1,658	72,298	...	72,298	
VII. Research, Development, and Engineering...												
Engineering...	3,539	...	3,539	...	...	...	...	15	3,554	...	3,554
Administration...	358,944	29,945	388,889	5,710	1,985	122	6,212	16,751	405,640	...	405,640	
Logistical Postal Support...	302,097	17,285	319,382	11,493	2,182	103	6,896	23,064	342,446	...	342,446	
Total 1973 PFY including Additional Day...	5,935,554	970,676	6,906,230	45,325	35,450	2,090	119,264	702,383	7,608,613	...	7,608,613	
X. Conversion to GFY including Additional Day...												
Increase or Decrease(-)	-6,339	-1,042	-7,381	533	35,450	2,090	119,137	701,731	8,041	...	8,041	
Total 1974 PFY	288,230	-23,694	264,536	177,163	2,901	6,447	31,354	194,293	488,547	...	488,547	
Percent Increase or Decrease(-)	5.1	-2.4	4.0	54.9	22.2	-42.9	8.5	38.3	6.4	...	6.4	
FISCAL YEAR 1974 (estimate)												
I. Services at Small Post Offices...	2,816,547	443,348	3,259,895	9,443	6,120	979	21,229	237,509	3,497,424	...	3,497,424	
II. Window and Collection Services...	239,401	43,068	282,469	15,674	2,499	81	8,312	29,893	312,362	...	312,362	
III. Delivery Services...	558,052	105,209	663,261	78,342	3,004	186	1,846	84,065	747,326	...	747,326	
IV. Processing of Mail...	2,007,714	402,890	2,410,604	227,860	23,465	665	79,669	359,729	2,770,333	...	2,770,333	
V. Transportation...	64,397	10,366	74,763	736	899	21	2,384	10,145	84,908	...	84,908	
VII. Research, Development, and Engineering...												
Engineering...	5,653	...	5,653	...	...	...	...	24	5,677	...	5,677
Administration...	412,650	34,424	447,074	6,561	2,280	140	7,339	19,245	466,319	...	466,319	
Logistical Postal Support...	350,669	20,062	370,731	13,340	2,532	107	7,699	26,763	397,494	...	397,494	
Total 1974 PFY including Additional Day...	6,331,105	1,053,370	7,384,475	546,854	39,021	2,271	131,383	769,250	8,363,725	...	8,363,725	
X. Conversion to GFY including Additional Day...												
Increase or Decrease(-)	17,097	2,784	19,881	1,431	...	...	344	1,775	21,656	...	21,656
Total	6,548,202	1,056,154	7,604,356	548,285	39,021	2,271	131,632	771,025	8,385,381	...	8,385,381	
Percent Increase or Decrease(-)	618,987	96,520	715,507	48,564	3,571	181	12,935	66,302	784,809	...	784,809	
Additional Day	10.4	10.0	10.4	9.7	10.1	8.7	10.5	9.9	10.3	...	10.3	
FISCAL YEAR 1975 (estimate)												
I. Services at Small Post Offices...	2,936,477	462,248	3,398,725	9,845	6,381	1,021	22,863	247,624	3,646,349	...	3,646,349	
II. Window and Collection Services...	257,465	46,318	303,783	16,857	2,687	87	9,477	32,148	335,931	...	335,931	
III. Delivery Services...	584,347	110,166	694,513	82,034	720	196	1,333	88,029	782,542	...	782,542	
IV. Processing of Mail...	2,050,580	411,490	2,462,070	232,725	23,966	679	81,574	367,409	2,829,479	...	2,829,479	
V. Transportation...	62,438	10,050	72,488	21,725	872	52	2,505	9,337	82,325	...	82,325	
VII. Research, Development, and Engineering...												
Engineering...	8,310	...	8,310	...	...	...	...	35	8,345	...	8,345
Administration...	438,278	36,562	474,840	6,969	2,422	149	8,256	20,481	495,281	...	495,281	
Logistical Postal Support...	387,514	22,138	409,652	14,754	3,394	261	9,341	25,561	435,033	...	435,033	
Total 1975 PFY including Additional Day...	6,813,136	1,103,766	7,916,902	566,723	31,659	2,800	136,023	797,306	8,716,710	...	8,716,710	
X. Conversion to GFY including Additional Day...												
Increase or Decrease(-)	32,163	5,208	37,371	2,674	...	...	642	3,316	40,687	...	40,687
Total	6,847,361	1,108,914	7,956,275	569,397	40,483	2,380	135,664	800,622	8,756,897	...	8,756,897	
Percent Increase or Decrease(-)	299,159	42,740	341,919	21,112	1,462	109	5,032	29,597	371,516	...	371,516	
Additional Day	4.6	4.0	4.5	3.9	3.7	4.8	4.4	4.4	4.4	...	4.4	

PERSONNEL BENEFITS COMMITMENTS 1973 - 1975
(\$000)

Category	Health Insurance	Retirement Contribution	Group Life Insurance	Social Security Taxes	Uniform Allowances	Employee Awards	Relocation Expense	Sovereign Pay	Workmen's Compensation Fund	Unemployment Compensation	Contribution to Retirement Fund Deficit	Total Personnel Benefits
Fiscal Year 1973 (Actual)												
I. Services at Small Post Offices ..	51,642	193,872	12,372	8,000	12,853	...	220	...	...	...	...	278,969
II. Window and Collection Services ..	4,229	16,977	1,388	308	1,284	...	...	...	...	...	...	23,847
III. Delivery Services ..	12,038	42,465	2,598	2,929	11,157	...	...	...	...	...	...	68,357
IV. Processing of Mail ..	37,699	148,700	9,195	2,923	707	...	...	...	...	...	...	197,272
V. Transportation ..	1,333	4,749	298	26	9	...	...	...	...	...	...	7,127
VI. Law Enforcement ..	911	4,614	265	...	238	...	621	2	...	...	...	6,455
VII. Research, Development, and Engineering ..	31	244	13	...	...	...	...	...	...	...	...	289
VIII. Administration ..	4,924	23,049	1,374	321	...	2,463	1,367	209	56,310	...	...	90,058
IX. Logistical Postal Support ..	5,905	2,443	1,374	115	...	22	19	36	...	...	...	29,270
X. Conversion to GFY Including Additional Day ..	118,780	456,862	28,554	11,918	26,364	2,499	2,227	297	56,310	...	...	703,281
Total ..	4,379	16,827	1,053	440	970	...	...	67	56,310	...	...	23,692
Increase or Decrease(-) ..	123,129	473,189	29,607	12,358	27,334	2,499	2,227	230	56,310	...	...	72,843
Percent Increase or Decrease(-)	10,940	27,090	697	330	-2,984	633	-2,169	-21,276	-39,103	...	...	37,768
	18,5	6,1	2,4	-2,6	9,8	-20,2	-49,3	-98,9	-63,8	...	...	10,8
Fiscal Year 1974 (Estimate)												
I. Services at Small Post Offices ..	71,879	202,852	12,942	8,368	13,455	...	228	...	...	...	...	309,724
II. Window and Collection Services ..	5,969	17,663	1,092	356	1,377	...	...	...	...	...	...	26,470
III. Delivery Services ..	15,530	43,832	2,681	309	11,516	...	...	...	...	...	...	73,668
IV. Processing of Mail ..	56,882	167,545	10,358	3,292	...	...	...	...	...	...	...	238,077
V. Transportation ..	1,874	5,009	315	27	746	...	...	...	...	...	...	7,715
VI. Law Enforcement ..	1,336	5,129	295	...	265	...	690	...	...	...	...	7,715
VII. Research, Development, and Engineering ..	60	374	20	...	...	...	...	...	...	...	...	454
VIII. Administration ..	7,051	25,838	1,523	356	...	2,735	1,518	...	64,000	26,500	344,107	473,628
IX. Logistical Postal Support ..	3,480	24,403	1,557	46	129	23	21	...	64,000	26,500	344,107	34,830
X. Conversion to GFY Including Additional Day ..	169,230	492,663	30,783	12,719	27,498	2,760	2,457	...	64,000	26,500	344,107	1,172,887
Total ..	471	1,369	86	35	76	...	...	...	64,000	26,500	344,107	2,037
Increase or Decrease(-) ..	169,721	494,032	30,869	12,754	27,524	2,760	2,457	...	64,000	26,500	344,107	1,172,887
Percent Increase or Decrease(-)	46,592	29,843	1,262	330	190	261	230	396	7,690	26,500	344,107	447,341
	37,8	4,4	4,3	3,2	0,7	10,4	10,3	...	13,7	...	...	61,6
Fiscal Year 1975 (Estimate)												
I. Services at Small Post Offices ..	85,050	206,412	35,440	8,512	13,690	...	230	...	...	...	...	350,244
II. Window and Collection Services ..	7,446	19,660	1,415	390	1,415	...	...	...	...	...	...	31,685
III. Delivery Services ..	18,916	44,696	7,595	310	11,718	...	...	...	...	...	...	83,149
IV. Processing of Mail ..	66,877	167,773	28,147	3,295	...	...	...	...	...	...	...	266,692
V. Transportation ..	2,163	4,872	860	26	725	...	...	...	...	...	...	8,660
VI. Law Enforcement ..	1,751	5,843	843	...	302	...	786	...	...	...	...	9,255
VII. Research, Development, and Engineering ..	94	527	53	...	...	...	...	...	...	...	...	674
VIII. Administration ..	8,645	26,888	4,322	370	...	2,845	1,579	...	64,000	26,500	228,314	363,463
IX. Logistical Postal Support ..	10,787	26,090	4,264	49	137	26	...	...	64,000	26,500	344,107	41,265
X. Conversion to GFY Including Additional Day ..	202,389	864,692	48,492	12,408	27,987	2,971	2,617	...	64,000	26,500	228,314	1,154,143
Total ..	911	2,255	381	88	126	...	...	...	64,000	26,500	228,314	3,731
Increase or Decrease(-) ..	203,500	503,922	85,073	12,964	28,113	2,871	2,617	...	64,000	26,500	228,314	1,154,143
Percent Increase or Decrease(-)	33,779	9,890	111	210	589	...	...	...	64,000	26,500	228,314	1,154,143
	19,9	2,0	175,6	1,6	2,1	4,0	6,5	...	...	...	...	10,8
												33,7

3/6/74

ANALYSIS OF COMMITMENT INCREASES - PFY 1974
(\$000)

	I	II	III	IV	V	VI	VII	VIII	IX-A	IX-B	Total PFY Commitments
PFY 1973 Total.....	3,560,716	315,775	773,780	2,768,876	783,787	84,527	57,875	549,329	802,896	907,629	10,605,190
PFY 1974 Increases											
Carryover Costs:											
Pay Increase	54,889	4,874	9,548	44,301	1,295	966	35	5,060	...	5,770	126,738
Cost of Living Allowance	7,961	707	1,385	6,425	166	245	12	1,292	...	722	18,915
Job Evaluation Program	4,498	249	...	770	23	238	13	1,268	...	95	7,154
Subtotal	67,348	5,830	10,933	51,496	1,484	1,449	60	7,620	...	6,587	152,807
New Costs:											
Within-grade and Merit Increases	39,537	3,510	6,879	31,910	1,933	1,020	57	4,882	...	4,067	93,795
Pay Increase	217,846	19,343	37,896	175,825	5,179	4,443	223	21,493	...	22,850	505,098
Cost-of-Living Allowance	13,716	1,218	2,386	11,071	327	218	7	1,150	...	1,459	31,552
Uniform Allowance	1,914	79	1,118	...	92	28	...	...	...	8	3,239
Health Benefits	17,850	1,585	3,105	14,407	468	323	12	1,540	...	2,033	41,323
Subtotal	290,863	25,735	51,384	233,213	7,999	6,032	299	29,085	...	30,417	675,007
Service-wide Costs:											
Changes in Accrued Annual Leave Liability .....	...	...	...	...	...	...	...	-8,305	...	...	-8,305
Contribution to Retirement Fund Deficit .....	...	...	...	...	...	...	...	344,107	...	...	344,107
Unemployment Compensation .....	...	...	...	...	...	...	...	26,500	...	...	26,500
Subtotal .....	...	...	...	...	...	...	...	362,302	...	...	362,302
Workload Costs:											
Gross Workload	64,811	7,664	18,058	111,727	1,974	6,096	1,929	47,080	-2,642	27,138	283,835
Productivity Savings	-88,779	-2,411	-23,514	-125,496	-3,593	-2,993	...	-1,815	...	-892	-249,433
Net Workload	-23,968	5,253	-5,456	-13,769	-1,619	3,163	1,929	45,265	-2,642	26,246	34,402
Other:											
Travel of Persons	1,438	...	2,095	11	...	199	...	-24	-1	-2	3,716
Transportation of Things	12,451	...	293	919	42,447	-50	...	-65	...	-143	55,852
Rents, Communications, and Utilities	137	...	...	...	...	2	163	...	-50	8,884	9,136
Contractual and Other Services	53	1,103	...	...	...	2,291	105,873	132,017	2,598	64,388	308,324
Supplies and Materials .....	...	...	...	...	...	...	-66	362	-7,499	3,747	-3,460
Other .....	...	...	...	...	...	30	...	-509	-6,797	8,230	954
Total Other	14,079	1,103	2,389	930	42,447	2,468	105,970	131,781	-11,749	85,104	374,522
TOTAL INCREASE	346,322	37,921	59,280	271,870	30,311	13,112	103,258	576,033	14,391	148,354	1,599,040
PFY 1974 Total	3,909,038	353,696	833,060	3,040,746	814,098	97,639	166,133	1,125,362	788,505	1,055,983	12,204,230

ANALYSIS OF COMMITMENT INCREASES - PFY 1975
(\$'000)

	I	II	III	IV	V	VI	VII	VIII	IX-A	IX-B	Total PFY Commitments
PFY 1974 Total	3,909,038	353,696	833,030	3,040,746	834,098	97,639	166,133	1,125,862	788,505	1,055,983	12,204,230
PFY 1975 Increases											
Carryover Costs:											
Pay Increase	15,886	1,530	3,854	13,760	390	280	9	1,596	...	1,999	39,304
Cost-of-Living Allowance	33,270	3,099	7,175	27,575	812	620	18	3,558	...	3,984	80,111
Health Benefits	1,329	118	351	1,081	38	17	1	130	...	168	3,233
Subtotal	50,485	4,747	11,380	42,416	1,240	917	28	5,284	...	6,151	122,648
New Costs:											
Within-Grade and Merit Increases	38,230	3,092	8,293	41,109	165	967	91	5,603	...	5,211	102,761
Pay Increase	121,993	11,257	26,382	99,043	2,886	2,948	201	15,580	...	14,053	294,343
Cost-of-Living Allowance	22,671	2,102	5,104	18,712	551	420	18	2,441	...	2,706	54,725
Health Benefits	11,495	988	2,762	8,838	303	212	8	1,178	...	1,344	27,128
Life Insurance	22,273	2,012	4,867	17,777	554	507	25	2,737	...	2,603	53,355
Subtotal	216,662	19,451	47,408	185,479	4,459	5,054	343	27,539	...	25,917	532,312
Service-wide Costs:											
Changes in Accrued Annual Leave Liability .....	...	...	...	...	...	...	...	1,800	...	...	1,800
Contribution to the Retirement Fund Deficit .....	...	...	...	...	...	...	...	-115,793	...	...	-115,793
Subtotal .....	...	...	...	...	...	...	...	-113,993	...	...	-113,993
Workload Costs:											
Gross Workload	50,043	7,202	17,622	126,225	1,760	10,882	2,517	2,235	...	18,884	237,370
Productivity Savings	-127,745	-3,166	-31,913	-266,959	-9,367	...	...	-2,268	...	-2,973	-444,396
Net Workload	-77,702	4,036	-14,291	-140,734	-7,607	10,882	2,517	-33	...	15,906	-207,026
Other:											
Travel of Persons	185	...	231	10	...	382	12	851	...	33	1,704
Transportation of Things	2,018	...	51	-9,232	24,448	27	...	1	...	803	18,116
Rents, Communications, and Utilities	356	...	...	...	...	...	30	...	...	21,746	22,132
Supplies .....	...	...	...	...	...	...	...	...	...	25,480	25,480
Contractual and Other Services	41	824	3	...	...	-100	19,962	-9,813	140	764	11,821
Other .....	...	...	...	...	...	...	...	320	392,068	34,741	427,147
Total Other	2,600	824	285	-9,222	24,448	332	20,015	-8,410	392,208	83,327	506,407
TOTAL INCREASE	192,045	29,058	44,782	77,939	22,540	17,185	22,903	-89,613	392,208	131,301	840,348
PFY 1975 Total	4,101,083	382,754	877,812	3,118,685	856,638	114,824	189,036	1,035,749	1,180,713	1,187,384	13,044,578

1/31/74

Object Class Summary
Operating Commitments with Conversion to Accrued Costs
GFY 1973 - 1975
(\$000)

	1973 Actual	1974 Estimate	Increase or Decrease (-)		1975 Estimate	Increase or Decrease (-)	
			Amount	Pct.		Amount	Pct.
Object Classification							
Personnel Compensation	7,598,139	8,385,351	787,242	10.4	8,756,897	371,516	4.4
Personnel Benefits	726,444	1,174,724	448,280	61.7	1,157,874	-16,850	-1.4
Benefits for Former Personnel	230	...	-290	...	...	354,666	...
Total Personnel Compensation and Benefits	8,324,813	9,560,105	1,235,292	14.8	9,914,771	354,666	3.7
Travel of Persons							
Carfare and Taxi	6,250	6,768	518	8.3	7,313	545	8.1
Drive-out Agreements	4,627	7,591	2,964	63.9	7,377	-204	-2.7
Tolls and Ferrage	542	675	133	24.5	729	54	8.0
Other Travel	17,971	18,333	362	2.0	19,755	1,422	7.8
Total Travel of Persons	24,680	33,357	3,667	12.3	35,174	1,817	5.4
Transportation of Things							
Mail Transportation	700,018	730,807	30,789	4.4	754,870	26,063	3.6
Contract Mail Handling	31,276	32,195	919	2.9	23,074	-9,121	-28.3
Equipment Maintenance - Rural Delivery	339	461	122	36.0	482	21	4.6
Equipment Maintenance - Rural Delivery	77,875	90,500	12,625	16.2	92,857	2,357	2.6
Transportation of Household Effects	124	688	564	...	718	30	4.4
Transportation of Empty Containers	2,329	2,687	358	15.4	2,846	159	5.9
Contract Mail Messengers	9,079	10,624	1,545	17.0	11,254	680	5.9
Vehicle Hire	25,276	25,912	636	2.5	26,565	653	2.5
Total Transportation of Things	846,316	893,874	47,558	5.6	914,666	20,792	2.3
Rent, Communications and Utilities							
Rental Allowance - 4th Class Post Offices	5,043	5,180	137	2.7	5,554	374	7.2
Other	311,393	316,523	5,130	1.6	339,409	22,886	7.2
Total Rent, Communications and Utilities	316,436	321,703	5,267	1.7	344,963	23,260	7.2
Printing and Reproduction	12,860	9,314	-3,546	-27.6	9,874	560	6.0
Other Services	119,765	419,351	299,586	...	435,440	16,089	3.8
Supplies and Materials	168,662	145,456	-23,206	-13.8	171,550	26,094	17.9
Insurance Claims and Indemnities	31,081	29,733	-1,348	-4.3	29,733	...	...
Interest	17,000	25,737	8,737	51.4	60,585	34,848	...
Depreciation and Other Nonfunded Costs	112,876	136,378	23,502	20.8	162,347	25,969	19.0
Changes in Resources on Order	-39,500	-30,095	9,405	-24.0	-30,193	-158	0.5
TOTAL OPERATING EXPENSES	9,939,999	11,544,973	1,604,974	16.1	12,046,910	503,937	4.4
Less Reimbursement Costs	-86,798	-94,191	-7,393	-8.4	-99,621	-5,490	5.8
TOTAL DIRECT ACCRUED COSTS	9,853,201	11,450,842	1,597,641	16.2	11,949,289	498,447	4.4

Analysis of Budget Changes - Operating Expenses
Personnel Compensation and Benefits
(\$000)

	FY 1974		FY 1975	
	Man-years	Amount	Man-years	Amount
Base Year	684, 192	8, 324, 813	685, 423	9, 560, 105
Changes				
Carry-over Costs:				
Pay Increase .....	...	126, 738	...	39, 304
Cost of Living Allowance .....	...	18, 915	...	80, 111
Job Evaluation Program .....	...	7, 154	...	...
Health Benefits .....	...	...	...	3, 233
Subtotal .....	...	152, 807	...	122, 648
New Costs:				
Within-grade and Merit Increases .....	...	93, 795	...	102, 761
Pay Increase .....	...	505, 098	...	294, 343
Cost of Living Allowance .....	...	31, 552	...	54, 725
Uniform Allowance .....	...	3, 239	...	...
Health Benefits .....	...	41, 323	...	27, 128
Life Insurance .....	...	...	...	53, 355
Subtotal .....	...	675, 007	...	532, 312
Servicewide Costs:				
Changes in Accrued Annual Leave Liability .....	...	-8, 305	...	1, 800
Contribution to the Retirement Fund Deficit .....	...	344, 107	...	-115, 793
Unemployment Compensation .....	...	26, 500	...	...
Subtotal .....	...	362, 302	...	-113, 993
Workload Costs:				
Gross Workload	21, 258	283, 835	17, 532	237, 370
Productivity Savings	-19, 465	-249, 433	-31, 794	-444, 396
Net Workload	1, 793	34, 402	-14, 262	-207, 026
Conversion to GFY Including Additional Day:				
Pay Increases .....	...	6, 456	...	-2, 260
Charge for Additional Day	-562	4, 318	1, 576	22, 985
Subtotal	-562	10, 774	1, 576	20, 725
Total Changes	1, 231	1, 235, 292	-12, 686	354, 666
Total Personnel Compensation and Benefits	685, 423	9, 560, 105	672, 737	9, 914, 771

Analysis of Budget Changes
Other Operating Expenses (Accrued Costs)

	FY 1974		FY 1975	
	Man-years	Amount	Man-years	Amount
Base Year	1,615,186	...	1,984,868
Changes:				
<u>Travel of Persons:</u>				
Drive-out agreements	2,654	...	-204
Other	1,013	...	2,021
Subtotal	3,667	...	1,817
<u>Transportation of Things:</u>				
Mail Transportation	30,789	...	26,063
Equipment Maintenance - Rural Delivery	12,625	...	2,357
Contract Mail Handling	919	...	-9,121
Other	3,225	...	1,493
Subtotal	47,558	...	20,792
Rents, Communications and Utilities	5,267	...	23,260
Printing and Reproduction	-3,546	...	560
Other Services	299,586	...	16,089
Supplies and Materials	-23,206	...	26,094
Insurance Claims and Indemnities	-1,348	...	...
Interest Expense	8,737	...	34,848
Depreciation	23,502	...	25,969
Changes in Resources on Order	9,465	...	-158
Subtotal	318,457	...	126,662
Total Changes	369,682	...	149,271
Total Other Operating Expenses	1,984,868	...	2,134,139
Total Personnel Compensation and Benefits	685,423	9,560,105	672,737	9,914,771
Total Operating Expenses	685,423	11,544,973	672,737	12,048,910
Less Reimbursable Costs	-94,131	...	-99,621
Total Accrued Costs	11,450,842	...	11,949,289

MAN-YEAR ANALYSIS OF WORKLOAD AND SAVINGS BY CRAFT
PFY 1974 - 1975

Field	PFY 1974			PFY 1975		
	Workload	Man-years		Workload	Man-years	
		Savings (-)	Net		Savings (-)	Net
Postmasters .....	...	686	-686	...	368	-368
Supervisors	1,152	307	845	553	482	71
Clerks	7,259	7,666	-407	1,860	9,845	-7,985
City Delivery Carriers	6,254	7,475	-1221	4,797	8,678	-3,881
Vehicle Drivers	252	272	-20	97	669	-572
Special Delivery Messengers	29	...	29	...	52	-52
Rural Carriers	56	658	-602	1,184	1,401	-217
Maintenance Service	1,445	...	1,445	1,066	...	1,066
Vehicle Maintenance Service	285	66	219	350	206	144
Total Craft	16,732	17,130	-398	9,907	21,701	-11,794
Regional Administration	224	...	224	20	...	20
Total Field	16,956	17,130	-174	9,927	21,701	-11,774
Headquarters						
Bulk Mail Startup	675	...		1,140	...	
Bulk Mail Operating	2,011	...		5,565	...	
Headquarters Organizations	1,616	...		900	...	
Total Headquarters	4,302	...	Excluded	7,605	...	Excluded
Total Workload	21,258			17,532		
Total Savings		17,130 ^{1/}			21,701 ^{1/}	
Net Man-years			4,128			-4,169
1/ Bulk Mail Savings Excluded from Craft						
Bulk Mail Savings:						
Supervisors		4		1,043	1,043	
Clerks		2,331		9,050	9,050	
Total USPS Savings		19,465	1,793		31,794	-14,262

ANALYSIS OF OPERATING EXPENSE BY CATEGORY/CRAFT
 FY 1973 - 1975
 (\$000)

	FY 1973		FY 1974		FY 1975		Difference	
	Amount	Man-years	Amount	Man-years	Amount	Man-years	Man-years	
							Net	Net
I. Services at Small Offices								
Postmasters	455,419	35,523	41,926	497,345	34,837	30,247	368	527,592
Supervisors	245,516	16,188	35,769	281,285	16,535	19,277	15	301,012
City Carriers	1,124,207	96,354	1,968	1,245,024	97,480	55,821	-2,459	1,300,845
City Delivery Carriers	1,167,789	100,796	2,893	1,267,298	99,509	1,320,744	2,785	1,320,744
Special Delivery Messengers	1,16,719	1,412	1,865	18,584	1,443	985	15	19,569
Rural Carriers	551,066	36,606	31	599,502	36,004	31,819	-217	631,321
Other			48,436					
Total	3,560,716	287,479	348,322	3,909,038	285,820	192,045	-5,829	4,101,083
II. Window and Collection Services								
Supervisors	38,339	2,532	5,918	44,257	2,606	4,022	53	48,279
Clerks	243,393	19,805	28,495	271,889	20,130	21,139	138	293,028
Carriers	34,043	2,874	3,507	37,550	2,963	3,897	87	41,447
Other								
Total	315,775	25,211	37,921	353,696	25,699	29,058	278	382,754
III. Delivery Services								
City Carriers	714,353	60,115	55,479	769,832	59,979	41,272	-1,024	811,104
Special Delivery Messengers	43,769	3,717	3,482	47,251	3,715	2,556	-37	49,807
Rural Delivery Carriers	15,658	990	289	15,947	990	954		16,901
Other								
Total	773,780	64,822	59,250	833,030	64,684	44,782	-1,061	877,812
IV. Processing of Mail								
Supervisors	250,802	15,732	23,154	273,956	16,131	-	-1,044	273,938
Clerks	2,021,957	173,857	156,079	2,178,036	170,629	-42,687	-14,550	2,135,349
City Carriers	462,221	40,908	57,761	519,982	41,029	35,231	183	555,213
Bulk Mail	2,600	173	33,957	36,572	2,859	94,645	6,705	131,222
Other	31,276		919	32,195		-9,232		22,963
Total	2,768,876	230,670	271,870	3,040,746	230,648	77,939	-9,072	3,118,685
V. Transportation								
Supervisors	3,456	228	501	3,957	233	346	4	4,303
Carriers-Drivers	81,559	6,707	7,363	88,922	6,747	-2,254	-548	86,668
Other	620,790	6,995	32,304	653,094	6,995	19,580		672,674
Total	705,805	6,995	46,168	745,973	6,980	17,622	-544	763,395

2/13/74

ANALYSIS OF OPERATING EXPENSE BY CATEGORY/CRAFT
 GFY 1973 - 1975 - cont'd.
 (\$000)

	FY 1973		Difference		FY 1974		Difference		FY 1975	
	Amount	Man-years	Workload	Man-years	Amount	Man-years	Workload	Man-years	Amount	Man-years
VI Law Enforcement										
Supervisors	59	4	...	- 4	...	...	...	...	...	...
Clerks	2,570	221	...	- 221	...	...	...	...	...	...
Other	78,074	4,869	452	452	94,129	5,321	728	728	17,000	6,049
Total	80,703	5,094	452	227	94,129	5,321	728	728	17,000	6,049
VII Research										
Other	55,212	165	72	72	156,133	237	92	92	22,903	329
Total	55,212	165	72	72	156,133	237	92	92	22,903	329
VIII Administration										
Postmasters	4,518	173	...	...	4,931	173	...	...	183	173
Supervisors	96,700	6,401	...	...	110,432	6,401	...	...	7,802	118,234
Clerks	201,264	16,892	...	- 140	226,452	16,752	...	...	13,657	240,109
Other	244,341	5,662	1,250	1,250	771,166	6,912	97	97	-11,255	659,911
Total	546,823	29,128	1,250	1,110	1,112,981	30,238	97	- 67	- 89,613	1,023,368
IX Logistical										
Maintenance Service	300,451	26,015	1,445	1,445	351,828	27,460	1,066	1,066	40,013	391,841
Vehicle Service	147,810	5,916	285	219	148,073	6,135	350	144	19,355	167,428
Other	560,581	1,606	66	66	682,310	1,672	3	3	97,357	779,667
Total	1,008,842	33,537	1,796	1,730	1,182,211	35,267	1,419	1,213	156,725	1,338,936
Total PFY	9,816,532	683,101	21,252	1,793	11,427,987	684,894	17,532	-14,262	468,461	11,896,398
X Conversion	36,669	1,091	- 562	- 562	22,905	529	1,576	1,576	29,986	52,891
Total GFY	9,853,201	684,192	20,696	1,231	11,450,842	685,423	19,108	-12,686	498,447	11,949,289

2/13/74

ANALYSIS OF OPERATING EXPENSE BY CATEGORY/CRAFT SUMMARY
 GFY 1973 - 1975
 (\$'000)

	FY 1973		Difference		FY 1974		Difference		FY 1975	
	Amount	Man-years	Workload Man-years	Man-years Net	Amount	Man-years	Workload Man-years	Man-years Net	Amount	Man-years
Craft Summary:										
Postmasters	459,937	35,496		- 686	45,339	35,010		- 368	30,430	34,642
Supervisors	64,872	41,085	1,152	79,015	79,015	41,926		947	17,787	1,350
Clerks/Mailhandlers	3,931,391	307,729	7,359	-2,738	328,010	304,991	1,842	3,443	45,376	67,504
City Carriers	2,382,324	205,038	6,254	-1,221	216,862	203,817	4,797	675	9,362	11,965
Vehicle Drivers	77,641	6,422	252	20	6,757	84,398	97	1,459	1,059	3,381
Special Delivery Messengers	60,488	5,129	29	20	5,347	65,835	52	52	2,744	81,654
Rural Carriers	566,724	37,596	56	- 602	48,275	36,994	1,184	- 217	32,773	68,376
Maintenance Service	300,451	26,015	1,445	1,445	51,277	351,828	1,066	1,066	40,013	391,841
Vehicle Service	147,810	5,916	285	219	263	148,073	350	144	19,355	167,428
Bulk Mail Program:										
General Managers .....	...	...	21	21	342	21	...	...	57	399
Supervisors	2,620	173	230	230	4,250	6,870	947	947	17,787	24,657
Clerks/Mail handlers .....	...	...	1,819	1,819	22,128	1,819	3,443	3,443	45,376	5,362
Administrative Assistants .....	...	...	215	215	2,583	215	675	675	9,362	890
Vehicle Drivers .....	...	...	22	22	277	22	1,459	1,459	1,059	3,381
Maintenance Service .....	...	...	379	379	4,377	379	1,561	1,561	5,436	1,940
Subtotal Bulk Mail	2,620	173	2,685	2,685	33,357	2,859	6,703	6,703	94,645	131,222
Other Cars	1,590,374	12,202	1,840	1,840	798,753	2,389,027	14,142	920	36,303	2,425,330
TOTAL GFY	79,216,532	683,101	212,258	1,793	1,611,005	684,894	17,552	-14,262	468,461	1,139,636
Conversion to GFY:										
Supervisors	410	32	32	32	410	...	119	108	1,809	1,809
Clerks/Mailhandlers	6,887	594	331	331	3,330	2,663	641	641	1,973	2,415
City Carriers	5,169	449	247	247	2,609	2,022	461	461	9,011	12,368
Vehicle Drivers .....	...	...	...	...	...	...	20	20	6,450	9,010
Special Delivery Messengers	12	1	4	4	51	63	5	5	280	280
Rural Carriers	78	6	6	6	78	...	127	127	162	225
Maintenance Service	348	32	4	4	11	337	28	28	1,918	1,918
Vehicle Service	37	3	3	3	81	81	6	6	943	1,280
Other Costs	24,212	18	18	-18	-8,147	16,065	...	...	237	318
Subtotal	36,669	1,091	562	562	13,764	221,905	529	...	2,203	23,288
TOTAL GFY	9,853,201	684,192	20,696	1,231	1,997,641	11,450,842	685,423	-12,486	498,447	1,139,449
										672,737

SELECTED OPERATING STATISTICS

	1972	% *	1973	% *	1974	% *	1975	% *
Mail Volume (billions of pieces) (PFY)	86.6	-0.1	89.5	3.3	90.7	1.3	91.0	0.3
Mail Volume (billions of pieces) (GFY)	87.2	0.2	89.7	2.9	90.7	1.1	91.2	0.6
City Delivery:								
Number of routes (number)	135,262	1.8	136,449	0.9	137,466	0.8	138,473	0.7
Families served (millions)	53.9	2.5	55.2	2.4	56.4	2.1	57.7	2.4
Possible deliveries (millions)	58.4	2.5	60.1	2.9	61.6	2.7	63.2	2.6
Motorized routes (number)	87,939	13.9	93,682	6.5	99,938	6.7	103,946	4.0
Special Deliveries (millions of pieces)	85.3	-17.7	83.9	-1.4	83.4	-0.6	83.1	-0.4
Rural Delivery:								
Number of routes (number)	31,440	-0.2	30,674	-2.4	30,367	-1.0	30,269	0.3
Families served (millions)	11.9	3.5	11.5	-3.4	11.6	0.9	12.0	3.4
Post Offices (as of June 30):								
1st Class	5,192	0.6	5,254	1.2	5,254	...	5,254	...
2nd Class	7,436	0.5	7,495	0.8	7,495	...	7,495	...
3rd Class	12,468	-0.7	12,254	-1.7	12,254	...	12,254	...
4th Class	6,590	-3.6	6,382	-3.2	6,000	-6.0	5,632	-6.1
Total	31,686	-0.8	31,385	-0.9	31,003	-1.2	30,635	-1.2
Contract Stations (number)	6,839	6.3	6,110	-10.7	6,244	2.2	6,438	3.1
Total Active Vehicle Fleet (number)	94,359	3.7	98,906	4.8	102,140	3.3	108,036	5.8
Interior and Platform Space Occupied (thousands of square feet)	161,298	1.5	166,710	3.4	169,900	1.9	177,650	4.6

*Change over prior year
2/12/74

COST REDUCTIONS
FY 1974 - 1975
(\$000)

Craft and/or Programs	1974		1975	
	Man-years	Amount	Man-years	Amount
Postmasters:				
Discontinuance of Fourth-Class Post Offices	686	\$ 5,989	368	\$ 3,558
	686	5,989	368	3,558
Supervisors:				
Bulk Mail Program <u>1/</u>	311	5,279	1,525	27,156
Service Improvements	4	68	1,043	18,573
	307	5,211	482	8,583
Clerks and Mailhandlers:				
Service Improvements	9,997	129,597	18,895	261,498
Area Mail Processing	1,265	16,506	2,570	35,957
Productivity Improvements	275	3,512	231	3,167
Scheduling and Staffing	2,602	33,950	2,598	36,346
Programmed Investment	194	2,478	103	1,412
OCR Mechanization	1,539	20,080	1,728	24,174
Voluntary Mail Preparation by Customer . . . . .	...	...	91	1,248
Bar Coding Business Reply Mail	954	12,448	1,335	18,678
Self-service Postal Centers	112	1,430	172	2,358
Retail Development Analysis	50	639	43	590
Lockbox and/or Caller Programs	31	396	207	2,838
Retail Methods and Standards	2	26	152	2,084
Regional Programs	50	639	183	2,509
Bulk Mail Programs <u>1/</u>	592	7,724	432	6,043
	2,331	29,769	9,050	124,094
Subtotal	10,994	140,865	20,788	292,212

1/30/74

1/ Gross of startup and operations of the Bulk Mail System

COST REDUCTIONS - cont'd
 FY 1974 - 1975 (\$000)

Craft and/or Programs	1974		1975	
	Man-years	Amount	Man-years	Amount
Balance Brought Forward	10, 994	\$140, 865	20, 788	\$292, 212
City Delivery Carriers:				
Carrier Route Evaluation	7, 475	94, 753	8, 678	117, 986
Centralized Markup	1, 435	18, 190	2, 285	31, 067
Carrier Motorization	1, 794	22, 741	1, 832	24, 908
Expedited Preferential Mail	578	7, 327	601	8, 171
Productivity Improvements	527	6, 680	445	6, 050
Miscellaneous Savings Program	2, 935	37, 204	3, 328	45, 248
	206	2, 611	187	2, 542
Vehicle Drivers:				
Service Improvements	272	3, 593	669	9, 367
	272	3, 593	669	9, 367
Special Delivery Messengers:				
Service Improvements (Realignment of Routes) ..	...	...	52	702
	...	...	52	702
Rural Carriers:				
Route Consolidation	658	9, 330	1, 401	21, 151
	658	9, 330	1, 401	21, 151
Vehicle Service:				
Regional Programs	66	892	206	2, 978
	66	892	206	2, 978
Regional Administration .....	...	...	...	...
Headquarters Administration .....	...	...	...	...
Totals	19, 465	\$249, 433	31, 794	444, 396
Contract Mail Handling				10, 544
Total				\$454, 940

IMPACT OF PAY RAISES AND ALLOWANCES, 1974 AND 1975
(\$000)

Year	Budget Year Amount	Carryover from Prior Year	New Items	New Items Annual Rate when Effective
1974 PFY	734, 019	152, 807	581, 212	703, 675
Repricing Annual Leave Inventory	27, 300	...	27, 300	...
Conversion to GFY	16, 007	...	16, 007	...
Subtotal	777, 326	152, 807	624, 519	703, 675
1973 Cost-of-Living Allowance Extended	100, 559*	...	100, 559	119, 474
Total Personnel Compensation and Benefits	877, 885	152, 807	725, 078	823, 149
Rural Carrier Equipment Allowance	12, 305	...	12, 305	13, 025
Total	890, 190	152, 807	737, 383	836, 174
1975 PFY	552, 199	122, 648	429, 551	553, 954
Repricing Annual Leave Inventory	29, 100	...	29, 100	...
Conversion to GFY	13, 747	...	13, 747	...
Total Personnel Compensation and Benefits	595, 046	122, 648	472, 398	553, 954
Rural Carrier Equipment Allowance.....	1, 008	1, 008	...	...
Total	596, 054	123, 656	472, 398	553, 954
Two-year Impact	1, 486, 244	...	...	1, 390, 128

* This amount is in 1973 salary costs but was to be deleted in future years under the old agreement. The 1973 agreement made the COLA a part of permanent salaries.
1/30/74

PAY AND BENEFITS INCREASE - SUMMARY

FY 1973 - 1974

(\$000)

	Total 1973 Pay Increase		1973 Carryover Costs				1974				1974 New Costs		Total 1974 Incr.		
	Pay	Subtotal	COLA	JEP	Subtotal	Pay	COLA	Health Ben.	Uniform Allow.	Subtotal	Total	Health Ben.	Uniform Allow.	Subtotal	Total
Nonbargaining Units															
National Headquarters Administration and Related Field Activities	1,131	1,942	372	439	1,942	4,869	238	326	...	5,433	7,375			5,433	7,375
Research	611	1,052	203	238	1,052	3,021	128	211	...	3,360	4,412			3,360	4,412
Postal Rate Commission	35	12	13	13	12	223	7	12	...	242	302			242	302
Regional Headquarters Administration	52	13	4	5	22	79	3	4	...	86	108			86	108
General Managers	393	677	131	153	677	2,122	83	122	...	2,327	3,004			2,327	3,004
Administrative Personnel	...	...	...	...	...	...	...	...	...	...	...			...	...
Postmasters	7,343	12,643	2,438	2,862	12,643	25,794	1,556	2,008	...	29,358	42,001			29,358	42,001
Supervisors	8,835	15,213	2,934	3,444	15,213	36,199	1,875	2,778	...	40,852	56,065			40,852	56,065
Subtotal	18,361	31,609	6,094	7,154	31,609	72,307	3,890	5,461	...	81,658	113,267			81,658	113,267
Bargaining Units															
Clerks and Mailhandlers	57,223	65,999	6,776	...	65,999	228,514	14,622	17,229	152	260,517	324,516			260,517	324,516
City Delivery Carriers	36,717	41,065	4,348	...	41,065	146,626	9,362	13,416	2,886	172,390	213,355			172,390	213,355
Vehicle Drivers	1,166	1,304	138	...	1,304	4,654	297	434	92	5,467	6,771			5,467	6,771
Special Delivery Messengers	932	1,043	111	...	1,043	3,722	239	306	73	4,340	5,383			4,340	5,383
Rural Carriers	6,458	7,223	765	...	7,223	25,789	1,644	2,411	...	29,844	37,067			29,844	37,067
Maintenance Service	4,467	4,995	528	...	4,995	17,835	1,138	1,552	...	20,525	25,520			20,525	25,520
Vehicle Service	1,059	1,172	113	...	1,172	4,229	270	412	8	4,919	6,091			4,919	6,091
Protection Force	355	397	42	...	397	1,422	90	112	28	1,652	2,049			1,652	2,049
Subtotal	108,377	121,198	12,821	...	121,198	432,791	27,662	35,862	3,239	498,554	620,752			498,554	620,752
Repricing of Annual Leave	...	...	...	...	...	27,300	...	...	...	27,300	27,300			27,300	27,300
Total PFY	126,738	152,807	18,915	7,154	152,807	532,398	31,552	41,323	3,239	608,512	761,319			608,512	761,319
Conversion to GFY including Additional Day	...	...	...	...	...	16,007	...	...	...	16,007	16,007			16,007	16,007
Total GFY	126,738	152,807	18,915	7,154	152,807	548,405	31,552	41,323	3,239	624,519	777,326			624,519	777,326

1/31/74

PAY AND BENEFITS INCREASE - SUMMARY
FY 1974 - 1975

	1975										Total 1975 Incr.	
	1974 Carryover Costs		1975 New Costs				Subtotal	Total 1975 Incr.				
	Pay	COLA	Health Ben.	Subtotal	Pay	COLA			Health Ben.	Life Insur.		
Nonbargaining Units												
National Headquarters Administration and Related Field Activities	235	678	32	945	3,883	489	238	731		5,341	6,286	
Inspection Service	136	338	8	482	1,959	229	139	367		2,694	3,176	
Research	302	9	1	28	201	18	8	25		252	280	
Postal Rate Commission	108	3	...	11	80	7	2	6		95	106	
Regional Headquarters Administration	3,004	103	5	344	1,486	160	81	235		1,962	2,306	
General Managers .....	...	1	...	3	12	2	1	2		17	20
Administrative Personnel .....	...	5	...	30	84	16	9	17		126	156
Postmasters	42,001	3,921	78	5,124	16,134	2,661	1,325	2,937		23,057	28,181	
Supervisors	56,065	4,901	111	6,641	23,511	3,326	1,832	3,994		32,663	39,304	
Subtotal	113,267	3,246	236	13,608	47,350	6,908	3,635	8,314		56,207	79,815	
Bargaining Units												
Clerks and Mailhandlers	324,516	37,171	1,446	57,628	130,143	25,223	11,317	23,341		190,024	247,052	
City Delivery Carriers	213,355	12,145	1,116	36,957	83,139	16,080	8,754	15,403		123,376	160,333	
Vehicle Drivers	6,771	360	35	1,137	2,607	504	278	504		3,893	5,030	
Special Delivery Messengers	5,383	310	25	461	2,120	412	200	360		3,092	3,553	
Rural Carriers	37,067	2,127	201	6,471	14,566	2,812	1,573	2,821		21,772	28,243	
Maintenance Service	25,520	1,597	131	4,842	10,933	2,113	1,029	1,977		16,032	20,894	
Vehicle Service	6,091	364	34	1,109	2,496	482	269	495		3,742	4,851	
Protection Force	2,049	144	9	435	989	191	73	140		1,393	1,828	
Subtotal	620,752	36,058	2,997	109,040	246,993	47,817	23,453	45,041		363,344	472,384	
Repricing of Annual Leave	27,300	...	...	...	29,100	...	...	...		29,100	29,100
Total PFY	761,319	39,304	3,233	122,648	323,443	54,725	27,128	53,355		458,651	581,299	
Conversion to GFY Including Additional Day	16,007	...	...	...	13,747	...	...	...		13,747	13,747
Total GFY	777,326	39,304	3,233	122,648	337,190	54,725	27,128	53,355		472,398	595,046	

1973 Actual
Crosswalk From Accrued Costs to Direct Commitments
(thousands of dollars)

	Accrued Costs (1)	Changes in Selected Resources (2)	Non- Cash Expenses (3)	Capital Commitments (4)	Total Direct Commitments (5)
Operating costs, funded:					
Services at small offices	3,560,716				3,560,716
Window and collection services - large offices...	315,775				315,775
Delivery services - large offices	773,780				773,780
Processing of mail - large offices	2,768,876				2,768,876
Transportation	705,805				705,805
Law enforcement	80,703				80,703
Research, development, and engineering	55,212	2,663			57,875
Administration	546,823				546,823
Logistical postal support	895,966	9,688			905,654
Conversion to GFY including additional day	36,669	27,149			63,818
Total operating costs funded	9,740,325	39,500			9,779,825
Capital program - logistical postal support				802,896	802,896
Operating costs, non-funded:					
Depreciation and amortization	94,242		-94,242		
Expendable equipment and chargeoffs	18,580		-18,580		
Amortization of debt discount and expense	54		-54		
Total operating costs, non-funded	112,876		-112,876		
Total	9,853,201	39,500	-112,876	802,896	10,582,721

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1974 Estimates
 Crosswalk From Accrued Costs to Direct Commitments
 (thousands of dollars)

	Accrued Costs (1)	Changes in Selected Resources (2)	Non-Cash Expenses (3)	Capital Commitments (4)	Total Direct Commitments (5)
Operating costs, funded:					
Services at small offices	3,909,038				3,909,038
Window and collection services - large offices..	353,696				353,696
Delivery services - large offices	833,030				833,030
Processing of mail - large offices	3,040,746				3,040,746
Transportation	745,973				745,973
Law enforcement.....	94,129				94,129
Research, development, and engineering	156,133	10,000			166,133
Administration	1,112,981	10,000			1,122,981
Logistical postal support	1,045,833	10,035			1,055,868
Conversion to GFY including additional day	22,905				22,905
Total operating costs funded.....	11,314,464	30,035			11,344,499
Capital program - logistical postal support				788,505	788,505
Operating costs, non-funded:					
Depreciation and amortization	106,297		-106,297		
Expendable equipment and chargeoffs	30,000		- 30,000		
Amortization of debt discount and expense	81		- 81		
Total operating costs - non-funded	136,378		-136,378		
Total.....	11,450,842	30,035	-136,378	788,505	12,133,004

1975 Estimates
Crosswalk From Accrued Costs to Direct Commitments
(thousands of dollars)

	Accrued Costs (1)	Changes in Selected Resources (2)	Non- Cash Expenses (3)	Capital Commitments (4)	Total Direct Commitments (5)
Operating costs, funded:					
Services at small offices	4,101,083				4,101,083
Window and collection services - large offices ..	382,754				382,754
Delivery services - large offices	877,812				877,812
Processing of mail - large offices	3,118,685				3,118,685
Transportation	763,595				763,595
Law enforcement	111,129				111,129
Research, development, and engineering	179,036	10,000			189,036
Administration	1,023,368	10,000			1,033,368
Logistical postal support	1,176,589	10,193			1,186,782
Conversion to GFY including additional day	52,891				52,891
Total operating costs funded	11,786,942	30,193			11,817,135
Capital program - logistical postal support				1,180,713	1,180,713
Operating costs, non-funded:					
Depreciation and amortization	132,160		-132,160		
Expendable equipment and chargeoffs	30,000		-30,000		
Amortization of debt discount and expense	187		-187		
Total operating costs - non-funded	162,347		-162,347		
Total	11,949,289	30,193	-162,347	1,180,713	12,997,848

2/13/74

End-of-Year Employment Summary, 1973 - 1975
(Positions)

	1973 Actual	1974 Estimate	Increase or Decrease (-)	1975 Estimate	Increase or Decrease (-)
National Headquarters Administration					
Headquarters Activities	2,268	2,988	720	3,236	248
Postal Data Centers	1,410	1,473	63	1,469	4
Automatic Data Processing Centers and Teleconcentrator Sites	124	122	- 2	122	...
Los Angeles Testing Center	43	34	- 9	42	8
Postal Service Training and Development Institute:					
Oklahoma Postal Training Institute	170	...	...	...	...
Total Postal Service Training and Development Institute	159	...	...	...	...
Subtotal	4,174	4,569	795	5,274	305
Inspection Services					
Headquarters	140	153	13	160	7
Inspectors/Auditors	1,612	1,755	143	1,869	114
Support Personnel	872	950	78	985	35
Protection Force	1,863	2,648	785	3,348	700
Special Investigators	199	206	7	223	17
Internal Audit Administration	134	...	- 134	...	...
Subtotal	4,820	5,712	892	6,585	873
Research	158	308	150	350	42
Postal Rate Commission	63	98	35	98	...
Regional Headquarters Administration	1,816	2,098	282	2,119	21
Logistical Support Administration					
Supply Centers and Equipment Examiners	293	283	- 10	283	...
Stamped Envelope Agency	11	11	...	11	...
Label Printing Units	280	302	22	178	- 124
Mail Equipment Shops	243	248	5	248	...
Mail Bag Repair Units and Depositions	544	561	17	561	...
Subtotal	1,371	1,405	34	1,281	- 124
Field Operations					
Postmasters	29,490	29,196	- 294	28,889	- 307
Supervisors	34,474	35,134	660	35,046	- 88
Clerks and Mailhandlers	329,586	313,786	- 15,780	306,361	- 7,425
City Delivery Carriers	202,684	193,619	- 9,065	191,037	- 2,582
Vehicle Service Drivers	6,281	6,333	52	4,374	- 1,959
Special Delivery Messengers	50,440	44,377	- 6,063	44,329	- 44
Maintenance Services	25,760	44,607	18,847	44,334	- 293
Vehicle Services	5,641	26,675	21,034	29,292	2,617
General Managers - Bulk Mail .....	...	5,832	191	5,969	137
Administrative Personnel - Bulk Mail .....	...	21	21	21	...
Subtotal	688,712	659,701	- 29,011	654,303	- 5,398
Total	701,114	674,291	- 26,823	670,010	- 4,281

EMPLOYMENT SUMMARY 1973 - 1975
(Man-years)

	1973 Actual	1974 Estimate	Increase or Decrease (-)	1975 Estimate	Increase or Decrease (-)
National Headquarters Administration:					
Headquarters Activities	2,101	2,943	842	3,036	93
Postal Data Centers	1,477	1,487	10	1,479	-8
Automatic Data Processing Centers and Teleconcentrator Sites	130	1,125	-5	1,125	...
Los Angeles Testing Center	40	42	2	42	...
Postal Services Training and Development Institute	322	363	41	363	...
Subtotal	4,070	4,960	890	5,045	85
Inspection Service:					
Headquarters	137	151	14	157	6
Inspectors/Auditors	1,733	1,739	6	1,815	76
Support Personnel	858	921	63	966	45
Protector Force	1,942	2,309	367	2,898	589
Special Investigators	199	201	2	213	12
Subtotal	4,869	5,321	452	6,049	728
Research	165	237	72	329	92
Postal Rate Commission	60	98	38	98	...
Regional Headquarters Administration:	1,733	2,105	372	2,125	20
Logistical Support Administration:					
Supply Centers and Equipment Examiners	292	299	7	308	9
Stamped Envelope Agency	10	11	1	11	...
Label Printing Units	294	292	-2	275	-17
Mail Equipment Shops	241	248	7	251	3
Mail Repair Units and Depositions	568	571	3	571	...
Subtotal	1,405	1,421	16	1,416	-5
Field Operations:					
Postmasters	35,696	35,010	-686	34,642	-368
Supervisors	41,258	42,329	1,071	42,304	-25
Clerks and Mailhandlers	307,729	306,310	-1,419	293,218	-13,592
Vehicle Delivery Carriers	205,038	203,427	-1,611	199,886	-3,541
Special Delivery Drivers	6,422	5,153	-1,269	5,106	-43
Rural Carriers	37,596	36,994	-602	36,777	-217
Maintenance Services	26,015	27,839	1,824	30,466	2,627
Vehicle Service	5,916	6,135	219	6,279	144
General Managers - Bulk Mail .....	...	21	21	21	...
Administrative Personnel - Bulk Mail .....	...	215	215	890	675
Subtotal	670,799	670,752	-47	655,570	-15,182
Total Postal Fiscal Year	683,101	684,894	1,793	670,632	-14,262
Conversion of Postal Fiscal Year to Government Fiscal Year					
Including Additional Day	1,091	529	-562	2,105	1,576
Total Government Fiscal Year	684,192	685,423	1,231	672,737	-12,686

2/4/75

SUMMARY OF TRANSPORTATION
EXPENSES BY ACCOUNT
GFY 1973 - 1975
(\$000)

	GFY 1973 Actual	GFY 1974 Estimate	GFY 1975 Estimate
<u>Contract Intra-City Truck</u>			
A/C 63224 - Intracity Truck - Highway Services.....	9,029	10,624	11,265
63242 - Truck Terminal Service.....	9,334	9,808	4,447
63285 - Domestic Terminal Empty Equipment	715	763	809
63542 - Terminal Service - Truck	7,819	8,084	3,666
Subtotal	26,897	29,279	20,187
<u>Domestic Air Service</u>			
A/C 63511 - Airmail - R.....	145,155	150,952	155,779
63512 - Airmail - Exceptions R	613	697	720
63513 - Air Taxi - R	18,171	19,065	19,748
63514 - Airlift - FCM - R	46,492	50,305	52,104
63515 - Airlift Exceptions	347	390	402
63516 - Airlift Bulk Mail.....	3,264	3,255	3,269
63517 - Airlift PAL/SAM Mail.....	1,627	1,783	1,851
63518 - Alaskan Emergency Service	958	958	958
63519 - Uncertified Route Contract	958	958	958
63581 - Empty Equipment - R	958	958	958
63681 - Domestic Air - Headquarters	958	958	958
Subtotal	214,707	224,273	231,629

1/30/74

SUMMARY OF TRANSPORTATION - Cont'd.
EXPENSES BY ACCOUNT
GFY 1973 - 1975
(\$000)

	GFY 1973 Actual	GFY 1974 Estimate	GFY 1975 Estimate
<u>International Airmail Service</u>			
A/C 63611 - International Air Mail	36,623	38,441	40,760
63613 - International Airlift - FCM	324	346	367
63615 - Air Carrier Contract	***	***	***
63617 - Military Air Mail Rates	33,665	36,290	38,315
63618 - Other than Air Mail Rates	16,419	18,212	19,228
63619 - Military Combat Surface	28,503	33,623	35,500
49366 - Air Transport Reimbursement	- 1,100	- 1,100	- 1,100
63696 - International Airlift Surface	***	***	***
Subtotal	114,434	125,812	133,070
<u>Terminal & Transportation</u>			
A/C 63651 - Air Terminal/Transit Charges	4,796	4,882	5,176
63657 - Surface Terminal/Transit	12,286	11,592	12,292
Subtotal	17,082	16,474	17,468
<u>Thru Service - Domestic</u>			
A/C 63563 - Domestic - Thru Service	196	209	216
<u>Thru Service - International</u>			
A/C 63667 - International - Thru Service	459	457	485

1/30/74

SUMMARY OF TRANSPORTATION - Cont'd.
EXPENSES BY ACCOUNT
GFY 1973 - 1975
(\$000)

	GFY 1973 Actual	GFY 1974 Estimate	GFY 1975 Estimate
<u>Domestic Water Transportation</u>			
A/C 63272 - Domestic Water Service - SC.....	517	533	565
63571 - Domestic Container Rate.....	2,628	2,922	3,104
63572 - Other than Container Rate.....	1,161	1,277	1,354
63587 - Surface Transportation - R.....	...	...	...
63672 - Water Service - Headquarters.....	344	393	411
63687 - Domestic Water - Headquarters.....	89	91	96
49361 - Reimbursement.....	-	-	-
Subtotal.....	4,732	5,209	5,523
<u>Foreign Water Transportation</u>			
A/C 63673 - International Container Rates.....	2,325	2,366	2,394
63674 - Other than Container Rates.....	6,299	6,611	7,116
63688 - International Water.....	39	49	52
Subtotal.....	8,663	9,026	9,562
<u>Employee Awards</u>			
A/C 93869 - Employee Awards - Transportation.....	9	11	12
<u>Contract Highway Services (Star Route)</u>			
A/C 63221 - Contract Intercity Truck - SC.....	104,967	109,603	113,223
63225 - Damage to Vans - SC.....	35	57	60
63521 - Contract Intercity Truck - R.....	135,603	142,100	147,179
63522 - Area Bus - R.....	400	411	435
63582 - Domestic Highway - Empty Equipment - R.....	224	237	251
63682 - Domestic Highway - Headquarters.....	340	363	385
49363 - Highway Transportation - Reimbursement.....	-	-	-
63523 - Highway Post Offices.....	215	243	256
Subtotal.....	241,759	252,989	261,764

SUMMARY OF TRANSPORTATION - Cont'd.
EXPENSES BY ACCOUNT
GFY 1973 - 1975
(\$000)

	GFY 1973 Actual	GFY 1974 Estimate	GFY 1975 Estimate
<u>Railroad Service</u>			
A/C 63235 - Switching - Rail Service SC.....	6	6	7
63237 - Ramp/deramp & Shuttle.....	...	...	...
63238 - Damage to Contractor's Van.....	33	36	38
63239 - Demurrage on Vans.....	114	114	111
63243 - Rail Terminal Service.....	7,003	7,271	7,610
63531 - Railroad Post Office - R.....	652	694	734
63532 - Mail & Express Service - R.....	5,313	6,146	6,362
63533 - Freight Train Service - R.....	75,535	79,570	80,359
63534 - Passenger Train Service - R.....	3,612	3,931	4,070
63536 - Terminal Handling - R.....	4,208	4,587	4,831
63537 - Ramp/deramp and Shuttle - R.....	602	669	705
63543 - Terminal Service Rail.....	7,111	7,022	7,338
63583 - Rail - R.....	100	126	134
63683 - Rail - Headquarters.....	855	1,058	1,122
49365 - Railroad Service - Reimbursement.....	-	-	-
Subtotal.....	105,139	111,225	113,416
GRAND TOTAL.....	734,077	774,964	793,332

2/14/74

PRODUCTIVITY — GOVERNMENT FISCAL YEAR BASIS
CLERKS AND MAILHANDLERS

Fiscal Year	GFY Man-years	Mail Volume (millions)	Average Pieces Per Man-year	Percent Increase or Decrease (-)
1971	336,630	86,983	258,393	4.2
1972	321,752	87,156	270,879	4.8
1973	308,323	89,683	290,874	7.4
1974 (estimate)	305,254	90,721	297,198	2.2
1975 (estimate)	288,860	91,247	315,887	6.3

CITY DELIVERY CARRIERS
Possible Deliveries (Per Day)

Fiscal Year	GFY Man-years	Possible Deliveries (000)	Possible Deliveries Per Man-year	Percent Increase or Decrease (-)
1971	217,669	56,985	261.8	1.9
1972	216,483	58,404	269.4	3.1
1973	205,487	60,075	292.4	8.4
1974 (estimate)	204,019	61,649	302.2	3.4
1975 (estimate)	200,599	63,248	315.3	4.3

CITY DELIVERY CARRIERS
Pieces Delivered

Fiscal Year	GFY Man-years	Mail Volume (millions)	Pieces Delivered Per Man-year	Percent Increase or Decrease (-)
1971	217,669	86,983	399,611	2.4
1972	216,483	87,156	402,600	0.7
1973	205,487	89,683	436,441	8.4
1974 (estimate)	204,019	90,721	444,669	1.9
1975 (estimate)	200,599	91,247	454,873	2.3

TOTAL EMPLOYMENT

Fiscal Year	GFY Man-years	Mail Volume (millions)	Average Pieces Per Man-year	Percent Increase or Decrease (-)
1971	793,581	86,983	120,212	2.8
1972	707,674	87,156	123,159	2.3
1973	684,192	89,683	131,079	6.4
1974 (estimate)	685,423	90,721	132,358	1.0
1975 (estimate)	672,737	91,247	135,635	2.5

RATE IMPACT - GFY 1974 - 1975 - SUMMARY OF CHANGES
FROM BEFORE TO AFTER PROPOSED RATES AND
COST OF LIVING COUNCIL RATE DELAY

	1974 Estimate Before Rate Delay		Impact of Rate Delay		1974 Estimate After Rate Delay		1975 Estimate	
	Man-years	Amount	Man-years	Amount	Man-years	Amount	Man-years	Amount
1. Originating Mail (000 pieces)								
- Percent loss in volume		-1,251,100		225,243		-1,025,857		-2,698,596
		-1.36		...		-1.11		-2.87
2. Revenues and operating receipts (\$000):								
a. Change in mail volume		-100,492		...		-100,492		-218,543
b. Increase in rates		834,626		...		596,704		1,864,847
c. Repricing subsidies		105,000		-235,922		105,000		213,636
e. Total change		839,134		-235,922		603,212		1,859,940
3. Operating expenses (\$000):								
a. Supervisors	457	7,760	146	2,483	311	5,277	958	17,404
b. Clerks/mailhandlers	4,198	53,595	1,343	16,696	2,855	36,899	8,797	120,343
c. City carriers	1,285	16,287	411	5,212	874	11,075	2,706	36,776
d. Transportation	...	5,168	...	1,654	...	3,514	...	10,906
e. Other	...	1,000	...	320	...	680	...	2,000
f. Total change (*)	5,940	83,810	1,900	26,365	4,040	57,445	12,461	187,431
4. Net Income Increase		922,944		-242,287		660,557		2,047,371

2/11/74

RATE IMPACT - FY 1973 - 1975
MAIL VOLUME
(000)

	<u>1973</u>	<u>1974</u>	<u>1975</u>
A. Before Rates:			
1. PFY pieces	89,530,939	91,705,760	93,640,283
% over prior year	3.43	2.42	2.11
2. GFY pieces	89,683,439	91,746,734	93,945,283
% over prior year	2.90	2.30	2.40
B. After Proposed Rates:			
1. PFY pieces	89,530,939	90,699,095	90,984,055
% over prior year	3.42	1.30	0.31
2. GFY pieces	89,683,439	90,720,877	91,246,687
% over prior year	2.90	1.16	0.58
C. Loss from Proposed Rates: *			
1. PFY pieces		-1,006,665	-2,656,228
% loss		-1.09	-2.84
2. GFY pieces		-1,025,857	-2,698,596
% loss		-1.11	-2.87

* Cumulative loss in 1975

RATE IMPACT - GFY 1974 AND 1975
REVENUE AND OPERATING RECEIPTS
(\$000)

	1974			1975		
	Before Rates	After Rates	Diff.	Before Rates	After Rates	Diff.
1. Mail and Service Revenues	8,538,318	9,036,530	498,212	8,762,999	10,409,303	1,646,304
a. Volume loss			-100,492			-218,543
b. Proposed rates			834,626			1,864,847
c. COLC rate delay .....	...		-235,922			...
2. Investment Income	75,000	75,000	...	75,000	75,000	...
3. Receipts from Appropriations .	1,596,667	1,937,589	340,922	1,491,456	1,491,456	...
a. Volume loss .....			...			...
b. Proposed rates			105,000			...
c. COLC rate delay			235,922			...
4. Other Income	16,675	16,675	...	17,675	17,675	...
Total	10,226,660	11,065,794	839,134	10,347,130	11,993,434	1,646,304

Rate Impact - GFY 1974 - 1975
COST DECREASES DISTRIBUTION BY CATEGORY
(\$000)

	1974		1975	
	Man-years	Amount (\$000)	Man-years	Amount (\$000)
I. Services at Small Offices				
Supervisors	-175	-2,972	- 496	- 9,001
Clerks	-1,004	-12,981	-3,279	-44,857
City Carriers	-422	-5,348	-1,318	-17,911
Total	-1,601	-21,301	-5,093	-71,769
III. Delivery Service - Large Offices				
City Carriers	-257	- 3,258	- 803	-10,912
Total	-257	- 3,258	- 803	-10,912
IV. Processing of Mail - Large Offices				
Supervisors	-129	- 2,191	- 453	- 8,221
Clerks	-1,790	-23,130	-5,426	-74,230
City Carriers	-176	- 2,230	- 557	- 7,569
Total	-2,095	-27,551	-6,436	-90,020
V. Transportation				
Other .....	...	- 3,438	...	-10,792
Total .....	...	- 3,438	...	-10,792
Total PFY	-3,953	-55,548	-12,332	-183,493
X. Conversion to GFY				
.....	-87	-1,897	- 129	- 3,938
Total	-4,040	-57,445	-12,461	-187,431

1/21/74

FINANCING OF COMMITMENTS INCURRED
(\$'000)

Item	1973			1974			1975			
	Total	Operating	Capital Other	Total	Operating	Capital Other	Total	Operating	Capital Other	
Commitments Incurred, Current Year	10,705,061	9,866,623	805,899	12,288,231	11,438,630	788,505	13,158,620	11,916,756	1,180,713	61,151
Prior Year Adjustment	-22,207	-19,204	-3,003							
Commitments Incurred, Net	<u>10,682,854</u>	<u>9,847,419</u>	<u>802,896</u>	<u>12,288,231</u>	<u>11,438,630</u>	<u>788,505</u>	<u>13,158,620</u>	<u>11,916,756</u>	<u>1,180,713</u>	<u>61,151</u>
Sources of Financing:										
1. Revenues and Other Income	8,552,916	8,468,559	84,357	9,225,836	9,225,836	...	10,605,099	10,320,316	284,783	...
2. Appropriation	1,410,000	1,377,461	32,539	1,998,685	1,937,589	61,096	1,532,607	1,491,456	41,151	61,151
3. Sale of Bonds	...	...	...	475,000	275,205	199,795	500,000	104,984	395,016	...
4. Drawdown from Treasury, Prior Year Items	1,399	1,399	...	...	...	...	...	...	...	...
5. Borrowing Authority	...	...	...	...	...	...	...	...	...	...
Committed: 1/										
a. Operating	718,539	...	718,539	588,710	...	588,710	500,914	...	500,914	...
b. Capital	...	...	...	...	...	...	...	...	...	...
Total	<u>10,682,854</u>	<u>9,847,419</u>	<u>802,896</u>	<u>12,288,231</u>	<u>11,438,630</u>	<u>788,505</u>	<u>13,158,620</u>	<u>11,916,756</u>	<u>1,180,713</u>	<u>61,151</u>

1/ Borrowing authority as of June 30.

Total borrowing authority at June 30, 1971	Uncommitted Borrowing Authority		Bonds Sold		Unfinanced Borrowing Authority	
	10,000,000,000	3,045,733,000	1,225,000,000	...	1,820,733,000	...
Borrowing authority committed through Fiscal Year 1975	...	6,954,267,000	1,225,000,000	...	1,820,733,000	...
Status at June 30, 1975	1,225,000,000	...	1,820,733,000	...

2/5/74

COMPUTATION OF NET EXPENDITURES
 Detail of Gross Expenditures, Applicable Receipts, and Net Expenditures
 June 30, 1972, 1973, 1974 and 1975
 (thousands of dollars)

Item	1972	1973	1974	1975
	Actual	Actual	Estimate	Estimate
<u>Detail of gross expenditures:</u>				
Current liabilities, funded	558, 327	565, 648	560, 667	623, 595
Reserves, funded	120, 483	247, 896	347, 696	444, 296
Mortgage Payable	...	...	17, 220	16, 488
Unpaid undelivered orders:				
Operating	68, 133	88, 851	118, 886	149, 079
Capital investment	714, 536	1, 136, 263	1, 226, 468	1, 584, 881
Total at end of year	-1, 461, 479	-2, 038, 658	-2, 270, 937	-2, 818, 339
Total at start of year	1, 003, 298	1, 461, 479	2, 038, 658	2, 270, 937
Prior year adjustments	-40, 987	-14, 697	...	...
Increase (-) or decrease in unpaid commitments	-499, 168	-591, 876	-232, 279	-547, 402
Commitments (from program and financing):				
Operating	9, 540, 348	9, 866, 629	11, 438, 630	11, 916, 756
Capital investment	725, 247	802, 896	788, 505	1, 180, 713
Other funding requirements	76, 994	32, 539	61, 096	61, 151
Prior year adjustments	...	-19, 204	...	...
Total commitments	10, 342, 589	10, 682, 854	12, 288, 231	13, 158, 620
Gross expenditures	9, 843, 421	10, 090, 978	12, 055, 952	12, 611, 218
<u>Detail of applicable receipts:</u>				
Accounts receivable and deferred credits at end of year, net	106, 219	98, 201	-70, 811	-97, 041
Accounts receivable and deferred credits at start of year	86, 202	106, 219	98, 201	-70, 811
Prior year adjustments	-19, 997	-38, 074	...	...
Increase (-) or decrease in accounts receivable, net	-40, 014	-30, 056	+169, 012	+26, 230
Receipts (from program and financing)	9, 528, 631	9, 964, 315	11, 224, 521	12, 157, 706
Applicable receipts	9, 488, 617	9, 934, 259	11, 393, 533	12, 183, 936
Outlays	354, 804	156, 719	662, 419	427, 282

U. S. POSTAL SERVICE
 SELECTED WORKING CAPITAL
 June 30, 1972, 1973, 1974 and 1975
 (thousands of dollars)

Item	1972	1973	1974	1975
	Actual	Preliminary	Estimate	Estimate
<u>Assets</u>				
Accounts receivable:				
U. S. Government agencies	118,084	183,263	114,348	99,448
Foreign countries	29,520	31,363	32,000	33,000
Interest	55,601	24,653	20,000	15,000
Other	5,627	6,145	6,000	6,000
Total	<u>208,832</u>	<u>245,424</u>	<u>172,348</u>	<u>153,448</u>
Less allowances for doubtful accounts	6,572	5,383	5,400	5,400
Accounts receivable, net	<u>202,260</u>	<u>240,041</u>	<u>166,948</u>	<u>148,048</u>
Supplies, advances and prepayments	25,867	23,847	23,847	23,847
Adjustments for regroupings, reclassifications and unfunded receivables	-5,195	-34,359	-34,359	-34,359
Advances and accounts receivable total, funded	<u>222,932</u>	<u>229,529</u>	<u>156,436</u>	<u>137,536</u>
Deferred credits applicable to receipts:				
Estimated prepaid postage in the hands of the public ..	-315,000	-316,000	-401,000	-406,000
Prepaid permit mail	-72,994	-85,715	-94,286	-94,500
Box rentals	-28,719	-29,613	-31,961	-34,077
Deferred credits	<u>-416,713</u>	<u>-431,328</u>	<u>-527,247</u>	<u>-534,577</u>
Less unfunded postage in the hands of the public ..	300,000	300,000	300,000	300,000
Deferred credits, funded	<u>-116,713</u>	<u>-131,328</u>	<u>-227,247</u>	<u>-234,577</u>
Working capital applicable to receipts	<u>106,219</u>	<u>98,201</u>	<u>-70,811</u>	<u>-97,041</u>

U. S. POSTAL SERVICE
 SELECTED WORKING CAPITAL - Cont'd.
 June 30, 1972, 1973, 1974 and 1975
 (thousands of dollars)

Item	1972 Actual	1973 Actual	1974 Estimate	1975 Estimate
Liabilities:				
Current liabilities:				
Outstanding postal money orders	297,627	396,695	391,652	391,652
Accrued payroll:				
Payroll payable	153,964	169,121	185,144	219,388
Payroll taxes and civil service retirement, including amounts withheld:				
Retirement funds	43,987	35,850	49,790	53,130
Federal payroll taxes	39,626	44,095	97,020	100,250
Social security funds	798	1,549	2,270	2,390
Life insurance funds	4,315	3,254	4,380	6,300
Health insurance funds	13,626	10,329	14,720	16,100
State payroll taxes	17,434	19,863	23,000	23,800
Total payroll taxes, etc.	119,786	114,940	191,180	201,970
Workmen's compensation	41,028	28,561	45,706	55,000
Accounts payable to other U. S. Government agencies:				
Trust funds	14,263	11,933	11,933	11,933
Savings bond deductions	10,362	10,208	10,300	10,400
Procurement and miscellaneous accruals	178,208	157,504	93,483	100,352
Total payables to U. S. Government agencies	202,833	179,645	115,716	122,685

U. S. POSTAL SERVICE
 SELECTED WORKING CAPITAL - Cont'd
 June 30, 1972, 1973, 1974 and 1975
 (thousands of dollars)

Item	1972		1973		1974		1975	
	Actual		Actual		Estimate		Estimate	
Other accounts payable and accrued expenses:								
Carriers of mail	46,429		83,677		44,000		44,000	
Foreign countries	3,706		4,879		4,900		4,900	
Delivered unpaid fixed assets	5,678		13,044		5,000		4,000	
Union dues, charitable and financial withholdings	2,199		2,452		2,500		2,500	
Miscellaneous undistributed collections	7,402		2,629		2,600		2,600	
Miscellaneous accruals and approved invoices	47,568		37,958		28,000		24,000	
Interest payable	7,091		7,056		15,606		24,606	
Procurement payables and credit card purchases	85,905		11,680		10,769		8,400	
Total other accounts payable, etc.	205,978		163,375		113,375		115,006	
Total current liabilities excluding prepaid permit mail, box rents and postage in hands of the public	1,021,216		1,052,337		1,042,773		1,105,701	
Less unfunded items: Workmen's compensation	-1,539		...		...		...
Lease purchase contracts	-4,878		-4,583		...		...
Less: money orders outstanding, Trust funds and unfunded Liabilities	-456,472		-482,106		-482,106		-482,106	
Current liabilities, working capital	558,327		565,648		560,667		623,595	
Long-term debt:								
Mortgages payable	92,313		150,208		189,208		223,208	
Catastrophe insurance	2,500		5,000		7,500		10,000	
Employees accumulated annual leave	388,841		424,859		452,159		481,259	
Total reserves	483,654		580,067		648,867		714,467	
Less unfunded leave	-363,171		-332,171		-301,171		-270,171	
Reserves, working capital	120,483		247,896		347,696		444,296	

U. S. POSTAL SERVICE
 SELECTED WORKING CAPITAL - Cont'd.
 June 30, 1972, 1973, 1974 and 1975
 (thousands of dollars)

Item	1972 Actual	1973 Actual	1974 Estimate	1975 Estimate
Unpaid, undelivered orders:				
Fixed assets	714,536	1,136,263	1,226,468	1,584,881
Inventories and other items	33,893	46,868	66,903	87,096
Research and development	34,240	41,983	51,983	61,983
Total unpaid, undelivered orders	<u>782,669</u>	<u>1,225,114</u>	<u>1,345,354</u>	<u>1,733,960</u>
Recapitulation of working capital amounts:				
Current liabilities	558,327	565,648	560,667	623,595
Long-term debt, mortgages payable .....	...	...	17,220	16,488
Reserves	120,483	247,896	347,696	444,296
Unpaid undelivered orders	782,669	1,225,114	1,345,354	1,733,960
Working capital related to commitments	1,461,479	2,038,658	2,270,937	2,818,339
Working capital related to receipts	-106,219	-98,201	70,811	97,041
Net selected working capital	<u>1,355,260</u>	<u>1,940,457</u>	<u>2,341,748</u>	<u>2,915,380</u>
Net changes in selected working capital	-438,164	-585,197	-401,291	-573,632
Prior year adjustment, net	-20,990	23,377	...	...
Net changes in selected working capital and prior year adjustment, net	-459,154	-561,820	-401,291	-573,632
Commitments incurred, net	813,958	718,539	1,063,710	1,000,914
Outlays	<u>354,804</u>	<u>156,719</u>	<u>662,419</u>	<u>427,282</u>

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