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TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS FOR FISCAL YEAR 1977

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HEARINGS

KANSAS STATE UNIVERSITY BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

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

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PART 2

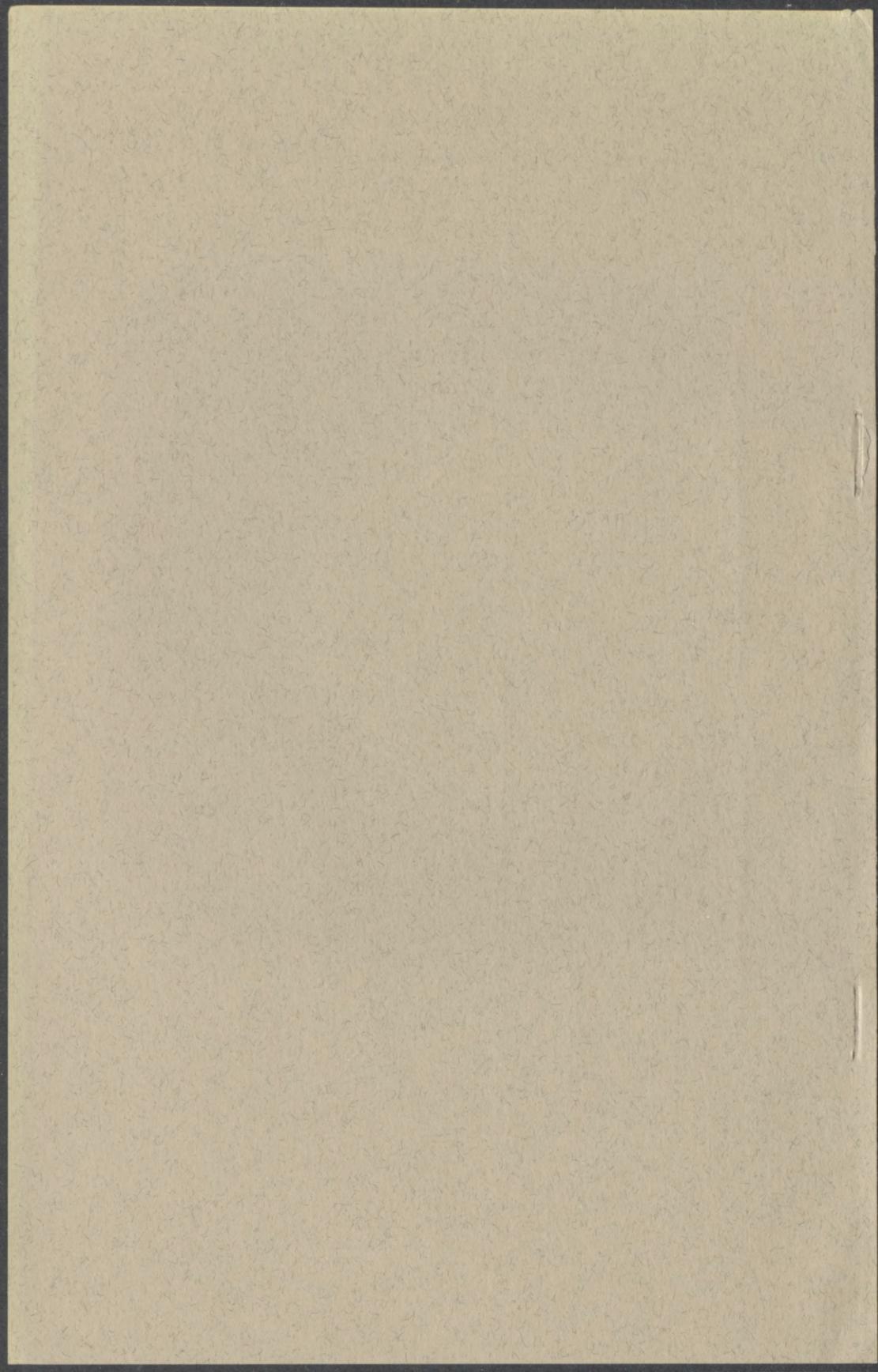
POSTAL SERVICE

Testimony of Non-Departmental Witnesses Will Be Found in Part 5 of the Subcommittee Hearings

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TREASURY, POSTAL SERVICE, AND GEN-
ERAL GOVERNMENT APPROPRIATIONS
FOR FISCAL YEAR 1977

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Part 5 of the Subcommittee Hearings

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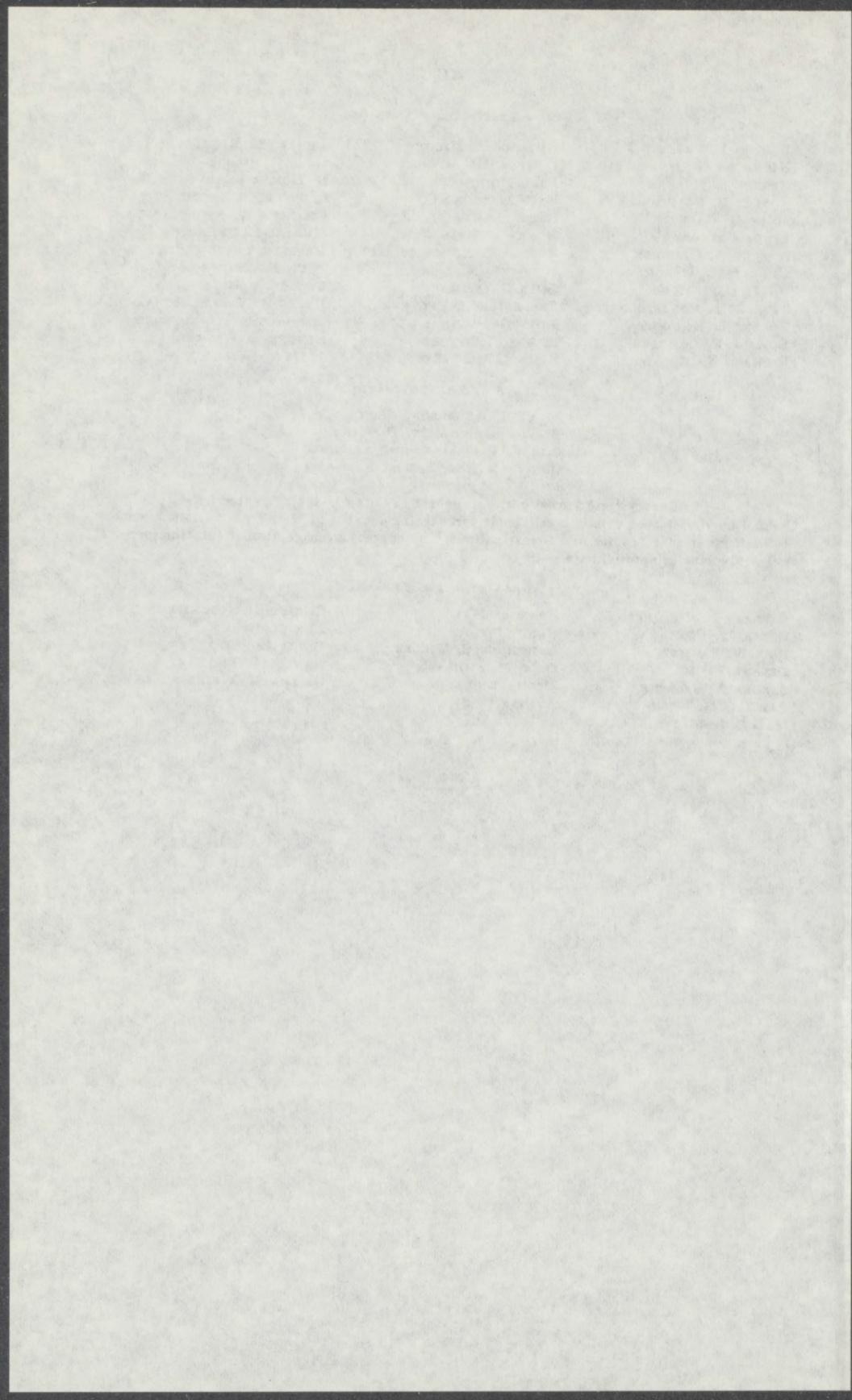
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**TREASURY, POSTAL SERVICE, AND GENERAL
GOVERNMENT APPROPRIATIONS FOR FISCAL
YEAR 1977**

WEDNESDAY, FEBRUARY 4, 1975.

U.S. POSTAL SERVICE

WITNESSES

BENJAMIN F. BAILAR, POSTMASTER GENERAL

WILLIAM F. BOLGER, DEPUTY POSTMASTER GENERAL

**JAMES V. P. CONWAY, SENIOR ASSISTANT POSTMASTER GENERAL,
EMPLOYEE AND LABOR RELATIONS**

**E. V. DORSEY, SENIOR ASSISTANT POSTMASTER GENERAL, OPERA-
TIONS**

**J. T. ELLINGTON, SENIOR ASSISTANT POSTMASTER GENERAL, AD-
MINISTRATION**

**RICHARD F. GOULD, SENIOR ASSISTANT POSTMASTER GENERAL,
FINANCE**

LOUIS COX, GENERAL COUNSEL

JOHN GENTILE, ASSISTANT POSTMASTER GENERAL FOR FINANCE

RALPH L. OSBORNE, CONTROLLER

ALFRED C. BIGUM, GENERAL MANAGER, BUDGET DIVISION

Mr. STEED. The committee will be in order.

The committee is in session today to take up the budget request of the U.S. Postal Service for fiscal year 1977. The budget appropriated for fiscal 1976 consisted of \$1,587,185,000, plus a requested program supplemental of \$102,642,000, bringing the 1976 total to \$1,689,827,000.

The request for 1977 is \$1,458,804,000, a decrease from 1976 of \$231,023,000.

In addition to the sums just cited contained in the President's budget request, we want to take note of the U.S. Postal Service budget request which included the regular appropriation in the amount of \$1,587,185,000, and their program supplemental request was \$121,231,000, which would have brought the 1976 total to \$1,708,416,000.

Their budget estimate for the fiscal year 1977 is \$1,766,170,000, an increase over 1976 on their figures of \$57,754,000.

I think we need to keep these two items in mind because this measures the point of disagreement as to what the entitlements of the Postal Service from direct appropriations consist of under existing law.

General, we would like to have your opening statement on these items.

Mr. BAILAR. Mr. Chairman, with your permission, I would like to submit my statement for the record and summarize some parts of it briefly, or I can read the whole thing if you prefer.

Mr. STEED. That would be fine. We will make it part of the record.

STATEMENT OF BENJAMIN F. BAILAR, POSTMASTER GENERAL,
BEFORE THE SUBCOMMITTEE ON TREASURY,
POSTAL SERVICE, AND GENERAL GOVERNMENT
OF THE HOUSE COMMITTEE ON APPROPRIATIONS

February 4, 1976

Mr. Chairman and Members of the Subcommittee, I appreciate this opportunity to discuss with you our appropriations request of FY 1977, as well as a number of issues of great importance to the Postal Service.

As you know, the Postal Service is confronting severe financial pressures, the result of economic conditions which were unexpected a few years ago. We have been able to ameliorate our condition to some degree by increasing postal rates, and by reducing our expenses. However, the types of problems we have faced are not going to disappear. Inflation, rising costs, and decreasing mail volume are likely to be with us for years to come. Increasingly, it is becoming obvious that we must slacken the pace of postal rate increases. The alternative is to step into a vicious cycle of rate increases to compensate for volume losses brought on by the previous round of rate increases.

Moreover, in light of the pressures of developing technology, the growth of alternative delivery systems, and the costs of labor and transportation, it is time for all concerned to take a hard look at the future of our nation's mail system. It is time to sort out postal needs from postal traditions, to project the realistic costs of those needs, and to determine which specific costs should be paid by the general public, rather than by the users of the mail.

In response to this situation, I recently recommended to the appropriate Senate Committee the enactment of emergency postal legislation. This legislation would have two essential components--the creation of a group to study issues related to postal services, costs, and funding, and the authorization of appropriations to assure adequate postal financing for the life of the study group.

Before I discuss our financial picture in greater detail, I want to put our problems in perspective by mentioning some of the things that have been going right. First on this list is the recent conclusion of perhaps the smoothest Christmas mailing season ever. Levels of service during Christmas 1975 were substantially higher than ever before. Moreover, although our preliminary data indicate that mail volume for the accounting period that includes Christmas was higher than in the previous year (probably due to a volume surge anticipating the post-Christmas rate increases), the increased volume was handled with 3.2% fewer work hours.

A second success was the signing of a collective bargaining agreement in 1975 covering nearly 600,000 postal employees. The moderate provisions of this agreement, which provides for increases in base pay averaging less than 4% per year over the next three years, plus reasonable cost-of-living adjustments, promise to establish a more stable basis for postal labor costs.

I also want to mention our steady progress toward many of the important objectives of postal reorganization. The Postal Service is free of patronage, and postal decisions are made without partisan influence. Increased mechanization and efficiency enable us to move more mail with fewer people than before postal reform. We have vastly improved the working conditions, as well as the pay, of postal employees. Finally, our performance record for the delivery of mail on time continues to improve.

Unfortunately, our financial posture has not been an equal source of pride. In FY 1974 we experienced a net loss of \$438 million. In FY 1975 our total income, including appropriations, fell \$989 million short of covering expenses. Today, just past the halfway point of FY 1976, we have already added another \$1.1 billion to our deficit. In the months before the effective date of our new rates, our deficit had been growing at a rate of approximately \$200 million a month. We expect the rate increase, now under challenge in the courts, to enable us to cover our costs in the second half of FY 1976. However, as reported in the President's budget, we are projecting an estimated deficit of \$1.5 billion for this year. This includes an allowance of \$547 million for contingencies, about 4% of our operating costs, in accordance with 39 U.S.C. §§2009 and 3621.

As a result of these losses, at the end of this fiscal year, our accumulated deficit will total about \$3 billion. We have more than exhausted our equity. Our equity, which stood at \$1.7 billion at the start

of FY 1972, will sink to a negative \$1.3 billion at the end of this fiscal year. In practical terms, we may be forced to borrow to meet our payroll before the end of the fiscal year.

Unfortunately, the basic causes of this grave financial situation have been beyond our control.

One major factor has been the breakdown in the ratemaking process established under the Postal Reorganization Act. In September, 1973, the Postal Service filed its application for a 10-cent first-class stamp. Had this rate been approved in a reasonable time, we would have been able to obtain a 13-cent first-class stamp when it was needed--in July, 1975. Instead, we were forced to wait for this essential increase until late December. Had we been able to obtain a 13-cent stamp last July, we would not have the better-than-a-billion-dollar deficit we have already accrued this year.

The economic pressures behind postal rate increases are clear. The increased cost of energy has hastened the rise of postal costs. Meanwhile, inflation has eroded the real value of our public service appropriation, fixed at \$920 million per year. Incidentally, total appropriations to the Postal Service for FY 1975 came to about \$1.53 billion, less than 12% of the cost of running the postal system. In contrast, in FY 1971, the last year of the old Post Office Department, Congress pumped almost \$2.2 billion into the postal system, over 24% of its costs.

Moreover, the Postal Service incurs substantial liabilities of a kind not imposed on the former Post Office Department, or for that matter, on other Government departments. Nevertheless, these liabilities properly reflect real operating costs that should not be ignored.

For example, the law now requires us to meet the unfunded liability of the Civil Service Retirement Fund due to postal wage increases. Assuming recent wage trends continue, this item will reach nearly \$650 million a year by 1980, which means that first-class postage rates will have to be nearly one cent higher just to cover this cost alone.

However, the largest component of Postal Service costs by far is the cost of labor, which is over 85% of our operating budget. In this connection, I should mention that a significant part of our labor cost increase over the past 6 years is directly attributable to the mandate of postal reorganization for a long-overdue upgrading of postal wages. We have achieved this goal, and will not have to incur this kind of expense in the future.

To put our problems in perspective, I should point out that we are not alone in this crisis. The postal systems of every major industrialized nation are facing problems similar to, or worse than, our own. We have all heard about postal chaos in Italy, labor problems in Spain, where the government has drafted postal employees to keep the mails moving, and the longest strike in Canadian postal history, whose national

economic effects remain to be tallied. Prices, too, have skyrocketed everywhere. In the United Kingdom letter postage rates have climbed from the equivalent of 9¢, less than two years ago, to 17¢ now, with a 21¢ rate expected later this year. Customers in every industrialized nation except Canada pay much more to send a letter than people in the United States. In short, all the Western mail systems are facing rising costs.

Inflation has taken a heavy toll, especially over the past two years. Its impact is exacerbated by the new problem of declining mail volumes. Increasingly, individuals and business mailers alike are less inclined to carry the growing costs of the traditional postal system. Our customers are curtailing their use of the mail, or turning to alternate, less expensive means of communication. And as rates go higher, public resistance grows firmer, and volume drops even more. It is a vicious circle.

Compounding this problem is the evidence that the daily delivery of letter mail--a job the mail system has been performing for more than 200 years--is gradually being replaced by more advanced technology. The telephone and direct exchange of information between computers are siphoning off mail volume. Electronic funds transfer is beginning to cut into first-class mail volume, over half of which today is provided by bills and payments. Indeed, technological changes may in the future affect the way in which we conduct all our communications.

In short, the implicit assumption behind the Postal Reorganization Act, that mail volume would continue to increase indefinitely, enhancing the cost benefits of increased mechanization, has become doubtful in light

of recent events. Conceivably, the large-volume mailers who generate most of today's revenues will find more economical alternatives to the Postal Service, particularly if our rates continue to rise. However, their abandonment of the system will not proportionally reduce our costs. For example, the number of delivery points will continue to increase at the rate of about 2% a year, regardless of volume. Accordingly, the gap between costs and revenue will continue to grow as mail volume declines, placing an ever greater burden on the individual mailer.

In response to these adverse developments, the Postal Service has taken firm steps to increase productivity and to cut costs.

Because 85% of postal costs are labor-related, we have focused our attention on the more efficient use of personnel. In the past, every percentage increase in mail volume required an equal or greater percentage increase in postal employment. For example, from FY 1965 to 1970, mail volume increased 18%, and mail processing hours rose 22%. In contrast, in the five-year history of the Postal Service mail volume has increased 5%, but mail processing hours have decreased 8%

Similarly, motorized delivery and improved methods have allowed the Postal Service to handle a 13% increase in delivery points over the past five years, while reducing the number of carriers and drivers by almost 5%. In contrast, between FY 1965 and FY 1970, the number of carriers and drivers increased 15%, while deliveries grew by only 12%.

Looking at the total picture, in the five years preceding postal reorganization (FY 1966-1970), total postal work years increased 14%. In the five years since the Reorganization Act (FY 1971-1975), our work years have decreased by about 30,000, or 4.2%. In this fiscal year, we intend to reduce our work years by an additional 19,000.

We have put a number of productivity improvement programs into motion, including the deployment of new mail processing equipment, and the Letter Carrier Route Evaluation System, now in arbitration. We have issued instructions to expedite the identification and reassignment of excess craft employees, and to eliminate overtime except for critical mail processing functions. We have limited hiring for permanent positions, and tightened up considerably on the use of casual employees. Finally, we have begun to identify which small post offices could be closed without impairing service to their customers.

However, until we come to grips with long-range postal problems, the short-term remedies we have applied will have little lasting effect. The same is true of more drastic solutions, such as eliminating special delivery service or six-day-a-week delivery.

While dealing with the immediate financial crisis, the Postal Service must also prepare itself for a role in national life that could be very different from what it was 20 years ago, or what it is today. Technology has advanced so quickly, and the communications habits of the country have changed so drastically, that our past assumptions regarding the function and cost of mail service may soon be out of date.

The basic questions involved in any long-term decision about the future course of mail service require that a number of basic public policy issues be addressed. There are two, in particular, that must be considered.

First, is the present structure of traditional postal services essential or even relevant to future national needs?

Second, who should pay for these services, and how should payment be made?

If traditional postal services are essential to national needs, the Postal Service can continue to provide, and even extend, these services. However, it must be recognized that it will become increasingly costly to provide these services, and that the added costs may become an anomaly in our scale of national priorities.

As an alternative to considering these issues, we could subsidize permanently the existing postal structure. However, the long-term costs and other ramifications of this policy must also be carefully weighed. Maintaining the present system, at current prices, would require many billions of dollars in subsidies over the next decade.

Accordingly, I have recommended the creation of a commission to study the public service functions of the Postal Service, and to recommend solutions to the long-term questions posed by present economic and social conditions. In addition, I have recommended the authorization of additional

temporary appropriations funding to finance postal services during the life of the study commission. I am sure you will join us in following closely the progress of this legislation.

Postal Service Appropriations Request

With this background, I would now like to summarize our appropriations request for FY 1977. Our total request of \$1,766,170,000 is composed of three major components--transitional expenses, public service costs, and revenue foregone on free or reduced rate mail. I will briefly discuss each of these components.

Transitional Expenses - \$54,104,000

These funds, authorized under 39 U.S.C. § 2004, cover unfunded liabilities of the former Post Office Department. These liabilities include \$23,104,000 due the Employees' Compensation Fund in FY 1977 for injuries to postal employees which occurred before July 1, 1971, and \$31,000,000 to cover one-twelfth of the earned and unused annual leave balance due postal employees on June 30, 1971.

Public Service Costs - \$920,000,000

These funds, authorized under 39 U.S.C. §2401(b)(1)(A), reimburse the Postal Service for public service costs incurred in providing a "maximum degree of effective and regular postal service nationwide, in

communities where post offices may not be deemed self-sustaining, as elsewhere." Through FY 1979, this public service reimbursement is fixed at 10% of the Post Office Department appropriation for FY 1971. The statement of compliance with public service policy required by 39 U.S.C. §2401(b)(3) is attached to my statement.

Revenue Foregone - \$792,066,000

These funds, authorized under 39 U.S.C. §2401(c), reimburse the Postal Service for providing mail service to certain classes of mailers at free or reduced rates. This reimbursement for lost revenue covers the difference between the free or reduced rate and the full rate. Our revenue foregone appropriations request is broken down into three parts:

(1) Continuing Appropriation - \$314,799,000. This segment of our request will cover the reduced rates provided to non-profit and other preferential rate mailers, whose full rates under 39 U.S.C. §3626(1) are to cover only attributable costs with no contribution toward institutional costs. This provision involves no phasing, and will continue each year, based upon the volume of mail in these categories and the institutional costs of the Postal Service.

(2) Phased Appropriation - \$169,901,000. These funds will pay for the annual phasing of rates to full levels originally authorized by the Postal Reorganization Act. The original authorization provided reduced rates to certain regular rate mailers for 5 years, and to certain non-profit mailers for 10 years.

(3) Pub. L. No. 93-328 Appropriation - \$307,366,000. This

request will finance the extended phasing of rates for certain mailers provided under Pub. L. No. 93-328. This law extended the phasing period for certain regular rate mailers from 5 to 8 years, and for certain non-profit mailers from 10 to 16 years. Phasing for regular rate third-class mailers terminated in FY 1976. I have attached to my statement a chart that outlines, by class of mail, the impact of the extended phasing to full rates authorized under Pub. L. No. 93-328.

President's Budget Position

The appropriation we are requesting today differs from that set forth in the President's budget. For your background, I would like to comment briefly on these differences.

The President's budget excludes the amount of \$307,366,000 required in FY 1977 to finance the extended phasing authorized by Pub. L. No. 93-328. The President also excluded funds for this purpose from his budget last year. However, Congress appropriated the amounts required for the extended phasing; and the Service put the lower rates into effect.

I want to emphasize that because Congress appropriated funds in FY 1976 to finance extended phasing, mailers have been given every reason to assume that they will continue to have the time provided by Pub. L. No. 93-328 to adjust their prices and business practices to compensate for the payment of full postage rates. If the Congress appropriates the full amount we have requested for this purpose in FY 1977, we will continue with the extended phasing rate schedule. If we do not receive this appropriation, we will have to charge the affected mailers the full rates. The impact of a failure of this appropriation would be severe. For example, regular second-class rates could go up almost 70%. Other sub-classes would face somewhat lesser increases.

This concludes my statement, Mr. Chairman. At this time, I would be happy to answer your questions.

UNITED STATES POSTAL SERVICE
COMPLIANCE STATEMENT

The Postal Service is requesting that \$920 million be appropriated for Fiscal Year 1977 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

	<u>1975</u> <u>Actual</u>	<u>1976</u> <u>Estimate^{2/}</u>	<u>1977</u> <u>Estimate^{2/}</u>
First Class ^{1/}	5,477	5,452	5,427
Second Class ^{1/}	7,396	7,321	7,246
Third Class ^{1/}	12,191	12,091	11,991
Fourth Class ^{1/}	5,690	5,440	5,190
TOTAL	30,754	30,304	29,854
Classified Stations & Branches	3,993	4,043	4,093
Contract Stations & Branches	3,808	3,858	3,908
Community Post Offices	1,991	2,141	2,291
Rural Families Served (millions)	13.4	13.6	14.0
Rural Routes as of June 30	32,481	32,705	33,000

^{1/} Post offices are now classified according to revenue units, and the former class designations are obsolete. We have used the former terminology so that the figures in this statement may be easily compared with those given in previous years.

^{2/} These estimates are intended to reflect actions under revised criteria issued November 20, 1975. It is conceivable that application of the new criteria will cause the actual figures for FY 1976 & 1977 to vary from these estimates.

Attachment #1

Discontinuance and Consolidation of Post Offices

On November 20, 1975, we issued revised criteria for the discontinuance and consolidation of post offices.

Discontinuance of Post Offices

The outright discontinuance of a post office will be considered when:

1. An equivalent or improved level of postal service can be provided to the affected customers more efficiently by city, rural or star route carrier.
2. Another post office, community post office, classified or contract station or branch is located within a reasonable distance of the post office to be discontinued, is easily accessible to the customers affected and would provide an equivalent or improved level of postal service.
3. A survey of the customers affected discloses that a majority of them approve a change to city, rural or star route delivery.
4. Changing conditions related to the community, or to the staffing or facilities of the post office, make it impractical to operate a post office, and effective and regular postal services can otherwise be provided to customers served by the post office.

Consolidation of Post Offices

Consolidation of post offices resulting in the establishment of a community post office, contract or classified station or branch will be considered when one or more of the following conditions exist:

1. An equivalent or improved level of postal service can be provided to the affected customers more efficiently.
2. The consolidation is necessary to establish or extend city, rural or star route delivery service from another post office.
3. A majority of the customers have requested a change in the status of the post office, either to obtain a change in mailing address or to obtain city, rural or star route delivery service.

4. Two or more post offices are located within the corporate limits of an incorporated city or town.
5. The communities served by two or more post offices are being merged into an incorporated city or town.
6. Changing conditions related to the community or to the staffing or facilities of the post office make it impractical to operate a post office.

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.

Window Service Policy

Window services are provided on non-holiday weekdays at first-, second-, and third-class post offices, including classified stations and branches for eight and one-half hours or more unless otherwise authorized by district managers or their designees. Window service hours are scheduled during the most appropriate hours to meet the requirements of local postal customers. Window service is provided on Saturdays where there is a demonstrated need.

Window service operations are adjusted to provide full-window service to meet the requirements of the community. Stations and branches serving suburban communities or large shopping centers provide late evening service for the convenience of postal customers where such service is needed and approved by district managers.

Main post offices, and other postal units located in business areas, are normally open during the hours maintained by the local business community. Stations and branches are not required to be open at the same scheduled hours as the main office, but adjust hours of window operations to best serve the needs of the customers in the areas where they are located.

Where installation criteria can be met, self-service centers or stamp vending machines are installed in lobbies to reduce window transactions for vendable items, and for the convenience of postal customers when window service is not available. Postmasters inform postal customers of the availability, locations, advantages and products available from self-service vending equipment and encourage its use. Vending equipment is available for customer use at all times the lobby is open.

Conclusion

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

U. S. POSTAL SERVICE
 Revenue Forgone Appropriations, FY 1977 1/
 (thousands of dollars)

<u>Category</u>	<u>President's Recommended</u>	<u>Amount attributable to P.L. 93-328</u>	<u>USPS request</u>
Preferential-rate mail			
Second class	\$129,959	\$20,600	\$150,559
Third-class bulk	315,349	22,835	338,184
Fourth class (library rate)	27,582	1,453	29,035
Free for the blind	10,888	---	10,888
Regular-rate mail			
Second class	922	182,475	183,397
Fourth class (special rate)	---	64,889	64,889
Controlled circulation	---	15,114	15,114
	<u>\$484,700</u>	<u>\$307,366</u>	<u>\$792,066</u>

1/ Includes net effect of rates finally adopted in Docket R74-1 and USPS-proposed rates in PRC Docket R76-1.

Mr. STEED. You may proceed with your summary.

Mr. BAILAR. Mr. Chairman, as you know, the Postal Service has accomplished a great many things in the last few years. Recently I think we have made some real headway in increasing postal productivity. We have signed a collective bargaining agreement which I think is a good one and fair for postal employees. We had an exceptionally good Christmas season, thanks, I think, largely to the efforts of postal employees in the field and postal management in the field. The best Christmas service that we have ever had; some substantial savings realized in the use of overtime, things of that sort, steady progress toward a lot of the goals proposed in the reorganization.

FINANCIAL DIFFICULTIES

Unfortunately, we have not had the same positive picture on the financial front. We have had to cope with some inflationary pressures that were not anticipated and with a very slow-acting Postal Rate Commission which has prevented us from having the opportunity to raise rates at the time when they were needed, the end result being some very substantial losses and a deficit for the fiscal 1975 of \$989 million. We expect the deficit for this year to be \$1.5 billion.

As a result of all these losses, we have completely depleted the Postal Service's equity, we now find ourselves in a deficit equity position of \$1.3 billion.

The economic forces involved here I think are pretty clear to all of us, but they have taken a terrific toll on the Postal Service, much as they have in all public agencies; New York City, school districts, library districts, schools, universities. It has caused us a great many problems which are not unique to the United States Postal Service. They are certainly not unique to this country.

We have seen them reflected in Canada where they have had a long postal strike; in the postal chaos in Italy, in Spain where they drafted mail carriers, and in the United Kingdom where rates have increased from less than nine cents two years ago to 17 cents currently and are expected to go to 21 cents fairly soon.

These figures are equivalent to United States currency rates.

IMPACT OF TECHNOLOGY

Compounding our financial problems is the evidence that the daily delivery of letter mail, a job that the mail system has been performing for more than 200 years, is gradually being replaced by more advanced technology.

The telephone and direct exchange of information between computers are siphoning off mail volume. Electronic funds transfer is beginning to cut into first-class mail volume, over half of which today is provided by bills and payments. Indeed, technological changes may in the future affect the way in which we conduct all our communications.

I am sure this committee has had the opportunity, or will have the opportunity, to talk with the Treasury Department about the electronic funds transfer in the direct deposit of Social Security checks.

Those things are progress, Mr. Chairman, and those of us in postal management accept them as such, but the fact remains they cause

us problems, because while our volume is going down, the number of addresses we have to serve goes up.

I would like to talk specifically about our appropriation request, Mr. Chairman, and then answer questions you and your colleagues have on that request or on the operations of the Postal Service.

SUMMARY OF APPROPRIATIONS REQUEST

With the background I have just given you, I would now like to summarize our appropriations request for fiscal year 1977. Our total request of \$1,766,170,000 is composed of three major components—transitional expenses, public service costs, and revenue foregone on free or reduced rate mail. I will briefly discuss each of these components.

TRANSITIONAL EXPENSES—\$54,104,000

These funds, authorized under 39 U.S.C. 2004, cover unfunded liabilities of the former Post Office Department. These liabilities include \$23,104,000 due the Employees' Compensation Fund in fiscal year 1977 for injuries to postal employees which occurred before July 1, 1971, and \$31,000,000 to cover one-twelfth of the earned and unused annual leave balance due postal employees on June 30, 1971.

PUBLIC SERVICE COSTS—\$920,000,000

These funds, authorized under 39 U.S.C. 2401(b)(1)(A), reimburse the Postal Service for public service costs incurred in providing a "maximum degree of effective and regular postal service nationwide, in communities where post offices may not be deemed self-sustaining, as elsewhere."

Through fiscal year 1979, this public service reimbursement is fixed at 10 percent of the Post Office Department appropriation for fiscal year 1971. The statement of compliance with public service policy required by 39 U.S.C. 2401(b)(3) is attached to my statement.

REVENUE FOREGONE—\$792,066,000

These funds, authorized under 39 U.S.C. 2401(c), reimburse the Postal Service for providing mail service to certain classes of mailers at free or reduced rates. This reimbursement for lost revenue covers the difference between the free or reduced rate and the full rate. Our revenue foregone appropriations request is broken down into three parts:

(1) Continuing Appropriation—\$314,799,000. This segment of our request will cover the reduced rates provided to nonprofit and other preferential rate mailers, whose full rates under 39 U.S.C. 3626(1) are to cover only attributable costs with no contribution toward institutional costs. This provision involves no phasing, and will continue each year, based upon the volume of mail in these categories and the institutional costs of the Postal Service.

(2) Phased Appropriation—\$169,901,000. These funds will pay for the annual phasing of rates to full levels originally authorized by the Postal Reorganization Act. The original authorization provided

reduced rates to certain regular rate mailers for 5 years, and to certain nonprofit mailers for 10 years.

(3) Public Law No. 93-328 Appropriation—\$307,366,000. This request will finance the extended phasing of rates for certain mailers provided under Public Law No. 93-328. This law extended the phasing period for certain regular rate mailers from 5 to 8 years, and for certain nonprofit mailers from 10 to 16 years. Phasing for regular rate third-class mailers terminated in fiscal year 1976.

I have attached to my statement a chart that outlines, by class of mail, the impact of the extended phasing to full rates authorized under Public Law No. 93-328.

I might add here, Mr. Armstrong, I said phasing for regular rate third-class mailers ended in 1976. It was scheduled to terminate in 1976. In fact, there never was any funding for it, but the authorization for it ran out in 1976.

VARIANCE FROM PRESIDENT'S BUDGET

The appropriation we are requesting today differs from that set forth in the President's budget. For your background, I would like to comment briefly on these differences.

The President's budget excludes the amount of \$307,366,000 required in fiscal year 1977 to finance the extended phasing authorized by Public Law No. 93-328. The President also excluded funds for this purpose from his budget last year. However, Congress appropriated the amounts required for the extended phasing, and the Service put the lower rates into effect.

I want to emphasize that because Congress appropriated funds in fiscal year 1976 to finance extended phasing, mailers have been given every reason to assume that they will continue to have the time provided by Public Law No. 93-328 to adjust their prices and business practices to compensate for the payment of full postage rates. If the Congress appropriates the full amount we have requested for this purpose in fiscal year 1977, we will continue with the extended phasing rate schedule. If we do not receive this appropriation, we will have to charge the affected mailers the full rates.

The impact of a failure of this appropriation would be severe. For example, regular second-class rates would go up almost 70 percent. Other sub-classes would face somewhat lesser increases.

This concludes my statement, Mr. Chairman. At this time I would be happy to answer your questions.

Mr. STEED. If you cannot do it right now, you can provide it for the record.

VITAL STATISTICS OF USPS

What I would like to start off with is a summary of what the Postal Service is. I would like to measure it in this manner: How many post offices do you have?

Mr. BAILAR. 31,000.

Mr. STEED. How many addresses do you deliver mail to?

Mr. BAILAR. About 75 million. We will get you the precise number. [The information follows:]

Selected Operating Statistics

	1965 Amount	1970 Amount	1975 Amount
Mail Volume (millions of pieces) (GFY) ² / _{..}	71,873	84,882	89,266
City Delivery:			
Number of routes (number).....	110,998	130,387	130,000
Possible deliveries (millions).....	50.8	56.3	62.6
Special Deliveries (millions of pieces).. ¹	90.1	110.1	75.3
Rural Delivery:			
Number of routes (number).....	31,135	31,346	31,648
Families served (millions).....	9.8	11.1	12.7
Average daily route miles.....	60.6	65.2	68.1
Post Offices (as of June 30):			
1st Class.....	4,439	4,977	5,477
2nd Class.....	6,836	7,331	7,396
3rd Class.....	12,888	12,641	12,191
4th Class.....	9,461	7,053	5,690
Total.....	<u>33,624</u>	<u>32,002</u>	<u>30,754</u>
Contract stations (number).....	4,072	3,661	5,799
Total Active Vehicle Fleet (number).....	52,801	83,244	113,516
Interior and Platform space occupied..... ¹	125,566	156,189	170,149
(thousands of square feet)			
End of year employment - positions.....	595,512	741,216	702,257
Average employment - manyears.....	610,079	725,913	693,253
<u>Statement of Operations</u>			
Operating revenues (millions).....	4,436.2	6,346.7	10,015.2
Operating expenses (millions).....	5,184.2	7,856.5	12,574.2
Net loss (millions).....	792.5	1,509.8	988.8

¹/ Total platform area not available

²/ Source: P.M.G.'s Annual Reports

Mr. STEED. How many employees do you use to process the mail?

Mr. BAILAR. 698,000.

Mr. STEED. How many pieces of mail do you process per year?

Mr. BAILAR. About 88 billion.

Mr. STEED. Then, of course, the total cost of doing this.

Please break it down by job categories.

Mr. BAILAR. Fine.

[The information follows at p. 25.]

Mr. STEED. We would also like to have information regarding pieces of first-class mail and so forth, and if you want to beef that up you can to draw a comparison for say 10 and 20 years ago without too much trouble. I would like to have not only the picture of where you are today in terms of size and volume, the whole picture, but how this has changed in recent years.

Mr. BAILAR. Fine. One thing these numbers will bear out is that postal productivity has gone up noticeably in the last 5 years, whereas in the previous 5, as I indicated in the prepared statement, the number of employees was climbing with volume from 1966 through 1970, and from 1971 through 1975, in spite of increased volume, we managed to reduce postal employment by 39,000 people.

[The information follows at p. 26.]

Mr. STEED. If you would also like to add a paragraph about your transportation problem.

CHANGES IN TRANSPORTATION OF MAIL

I believe we had testimony once that at the end of World War II we were operating about 10,800 passenger trains that carried mail in the country, and we were handling between 40 and 45 billion pieces of mail, and I think at that time that the number of addresses you delivered mail to was somewhere between 50 and 60 million places.

The number of employees you had was not too far from what you have now. Well, we have I think 100 mail trains left today out of 10,800.

Of course, then that requires a lot of different substations to transport an ever-increasing volume, not only in pieces but in tonnage to that many more places.

If you would like to give a little analysis of the transportation problem you have, and how it has changed, I think it would be quite helpful.

Mr. BAILAR. Fine.

[The information follows at p. 27.]

Mr. STEED. A lot of people have no notion at all of what this one thing has done to the mail service in terms of cost and delays and all sorts of other problems.

In all the years I have dealt with the Postal Service, I have always said that in transportation I thought the Postal Service had a crisis every hour on the hour. If they ever had one day where they did not have a crisis, everybody down there would really be surprised.

I do not know whether this impact of transportation crises has changed or not, but I would doubt if it has improved too much.

SUMMARY OF REVENUES, ATTRIBUTABLE COSTS, PIECES AND WEIGHT FOR MAJOR SERVICE CATEGORIES
Fiscal Year 1975

(In millions)

Service category	Income $\frac{1}{2}$	Percent of total	Attributable costs	Percent of total	Mail pieces	Percent of total	Mail weight pounds	Percent of total
First-class mail.....	\$5 770.4	49.4%	\$3 508.1	50.8%	51 252.0	57.8%	1 699.1	13.9%
Airmail.....	220.5	2/	226.3	2/	1 118.7	1.3	65.5	.5
Priority mail.....	433.4	3.7	175.3	2.5	216.0	.3	439.0	3.6
Second-class mail:								
Within the county.....	32.4	.3	39.9	.6	1 455.0	1.6	351.5	2.9
Outside the county:								
Non-profit publications.....	73.9	.6	101.3	1.5	2 282.0	2.6	416.0	3.4
Classroom publications.....	1.8	—	2.6	—	62.0	—	32.3	—
Regular-rate publications.....	361.1	3.1	303.0	4.4	5 005.0	5.6	2 102.8	17.3
Fees.....	3.4	—	—	—	—	—	—	—
Total publishers' mail.....	472.6	4.0	446.8	6.5	8 804.0	9.9	2 902.6	23.9
Transient mail.....	5.0	3/	6.2	.1	29.0	—	11.3	.1
Total second-class mail.....	477.6	4.1	453.0	6.6	8 833.0	9.9	2 913.9	24.0
Controlled circulation publications.....	51.2	.4	29.4	.4	622.0	.7	251.8	2.1
Third-class mail:								
Single piece rate.....	148.8	1.3	175.4	2.5	663.0	.8	192.7	1.6
Bulk rate - regular.....	1 073.4	9.2	628.6	9.1	15 726.0	17.7	1 743.6	14.3
Bulk rate - nonprofit.....	141.5	1.2	166.2	2.4	5 538.0	6.2	255.7	2.1
Fees.....	13.3	.1	—	—	—	—	—	—
Total third-class mail.....	1 377.0	11.8	970.2	14.0	21 927.0	24.7	2 192.0	18.0
Fourth-class mail:								
Parcels (zone rate).....	553.4	4.7	476.4	6.9	400.0	.5	2 270.6	18.6
Catalogs.....	51.9	.3	19.2	.3	83.0	.1	234.1	1.9
Total zone rate.....	585.3	5.0	495.6	7.2	483.0	.6	2 504.7	20.5
Special fourth-class rate.....	192.2	1.7	153.7	2.2	295.0	.3	1 134.7	9.3
Library rate.....	13.1	.1	23.1	.3	—	—	140.0	1.1
Total fourth-class mail.....	790.6	6.8	672.4	9.7	821.0	.9	3 779.4	30.9
Government mail.....	476.8	4.1	143.1	2.1	2 984.0	3.4	581.1	4.8
Free mail for the blind and handicapped.....	—	—	5.2	.1	18.5	—	34.4	.3
International mail.....	379.6	3.2	232.0	3.4	910.0	1.0	226.6	1.9
Special services.....	342.7	2.9	486.7	7.1	—	—	—	—
Total mail and services.....	10 319.8	83.3	6 901.7	100.0%	88 702.2	100.0%	12 182.8	100.0%
Other income:								
Investment income.....	70.3	.6	—	—	—	—	—	—
Appropriations:	101.0	.9	—	—	—	—	—	—
Phasing.....	7/	—	—	—	—	—	—	—
Continuing.....	272.9	2.3	—	—	—	—	—	—
Public service.....	920.0	7.9	—	—	—	—	—	—
Total.....	\$11 864.0	100.0%	6 901.7	100.0%	88 702.2	100.0%	12 182.8	100.0%

Mail Volume By Category
(thousands)

Classes Of Mail	FY 1965	FY 1970	FY 1975
First-Class.....	38,067,778	48,640,276	51,372,664
Priority Mail (Heavy Duty).....	...	184,696	206,477
Airmail.....	1,629,248	1,533,191	1,109,182
Second-Class.....	8,600,405	9,351,493	9,085,314
Controlled Circulation Publications	281,276	562,449	627,957
Third-Class.....	19,453,842	19,974,208	21,867,253
Fourth-Class.....	1,044,831	977,178	801,227
Penalty and Official Mail.....	2,087,900	2,543,695	2,927,664
Franked Mail.....	121,791	202,784	317,368
Free-for-the-Blind and Handicapped.	7,344	15,421	18,933
International Originating.....	578,751	896,442	931,940
Total Volume.....	<u>71,873,166</u>	<u>84,881,833</u>	<u>89,265,979</u>

Transportation Costs
(\$ thousands)

	FY <u>1965</u>	FY <u>1970</u>	FY <u>1975</u>
<u>Domestic Transportation:</u>			
Railroad	328,861	184,824	117,067
Highway	126,023	221,353	316,093
Air	82,494	165,027	216,851
Water	4,806	4,976	4,822
Thru Service	17	189	1
Awards	10	16	18
Sub-total	<u>542,211</u>	<u>576,385</u>	<u>654,852</u>
<u>Foreign Transportation:</u>			
Water	10,169	8,966	15,486
Terminal and Transit	10,576	13,405	57,639
Air	66,672	146,287	123,083
Thru Service	30	465	- 36
Sub-total	<u>87,447</u>	<u>169,123</u>	<u>196,172</u>
Total Commitments	629,658	745,508	851,024
Less Reimbursements	<u>43,122</u>	<u>117,212</u>	<u>81,788</u>
Total Operating Expense	<u>586,536</u>	<u>628,296</u>	<u>769,236</u>

Mr. BAILAR. It is a very real problem. It has meant an increase in costs, we have had to hire trucks or send the mail by air. To the degree it has gone by air, it has improved postal service because it is faster.

Mr. STEED. But it does bring up another type of problem. When weather stops flying then you have a pile-up that heaps these log-jam problems on you that might not be quite as frequent if you were back to the old land way it used to be?

Mr. BAILAR. Yes, sir, no question about that.

IMPACT OF ENERGY COSTS ON TRANSPORTATION

We are quite concerned about the impact of the cost of energy on our costs of transportation.

In the winter of 1974-75, when we had the energy crisis, we had some pretty close calls in terms of having adequate transportation. That is a problem that can recur, although we are trying to plan for the contingencies.

Mr. STEED. You might also add a brief analysis, as part of the transportation picture, how the energy phase of it has changed; how the costs have changed.

You may be paying out a little less money for some things, but you are paying a whole lot more for some others because of this physical evolution that we have been talking about, of course this may be faster and better in a lot of ways but with the price tags on it, it proves even the Postal Service has not found out how to get something for nothing.

ADDITIONAL COST OF PUBLIC SERVICES

Now then, going to the authorities, you have to request moneys from the Congress under existing law, the first item of 10 percent of the 1970 budget is easy to calculate, but assuming that that 10 percent that Congress decided at the beginning of this Postal Service Corporation approach was a logical and fair level, what does that 10 percent add up to today, if you are still performing the same public services?

Has the increase in your budget been in other areas or has it also increased in the public service area?

In other words, what would you have to be getting today in terms of dollars, as 10 percent of the postal budget, to keep you exactly where you were in 1970?

Mr. BAILAR. We would need another \$500 million to \$600 million to keep the public service part of our appropriation at 10 percent of our costs.

This year it would have to be in the order of 1.4 to 1.5 billion dollars.

Part of the trouble here, Mr. Chairman, is that our costs have increased, including the costs of the public service aspects of operating the Postal Service. Our total appropriations, which in the last year of the POD were 24 percent of the POD budget, in fiscal 1976, are less than 12 percent and in fiscal 1977 they are projected to be in the order of 9½ percent.

So, one of the reasons that we are having the economic problems we are and that the rates are going up as they are, is that the support of Postal Service funds through taxpayer funds as opposed to ratepayer funds is decreasing.

One of the other things that concerns me greatly, Mr. Chairman, is the rather arbitrary nature of the setting of the \$920 million figure some years back. I think there is a question as to whether that is a proper reflection of the public service activities of the Postal Service. It is something that I have indicated publicly on several occasions. I would like to have Congress review the public service functions of the Postal Service and what those functions cost, to determine whether \$920 million is too much or too little or about right.

We talk about closing small offices and consolidating rural routes. A lot of people are understandably concerned about those activities. But if we are going to operate them, I think we ought to recognize what they cost, Mr. Chairman, and I would hope that the time will come.

VALUE OF MAIL SERVICE TO RURAL AMERICA

Mr. STEED. I think public service will always be a function that the Postal Service ought to provide.

It is even more so with the higher costs of everything now. But I have never known a time when the mail service provided to rural America has not been a good taxpayer investment.

By the very nature of the thin population out on the land where the food and fiber, that keeps everybody in town alive, is produced, there is not enough mail volume to create enough revenue to provide that service. If it had to pay its own way, the cost would be prohibitive and no producer or farmer could afford it.

I think we all agree that since 8 percent of our population produces all of our food and fiber that keeps the other 92 percent alive, it is really a matter of life and death to keep our producers producing. We would have no choice about that.

And the service of this type, to help the producers continue to produce, the cost of that is not of any significance when compared to the need and the benefit that comes from it. I use this to illustrate what you get into when you begin to try to make everything pay its own way, because you create instant inequities that cannot be justified, I think.

How do you feel about that?

Mr. BAILAR. Well, Mr. Chairman, I would like to make it clear, first off, that we are happy to provide the public services that are part of the Postal Service tradition, but we are rapidly reaching a point where we do not have the funds available for it.

I seriously question whether \$920 million begins to be adequate for what might be described as noneconomic or nonbusinesslike functions of the Postal Service, the 6-day a week delivery and the maintenance of a network of some 30,000 offices.

United Parcel pretty much covers the country and they have 900 offices. That is not to say we could reduce to 900. There are a lot of offices in that 30,000 that are not needed for the sole purpose of delivering the mail.

The GAO had a report on this last year. We are happy to provide those services, but we need the money to do it. I think if we keep putting the money on the postal ratepayers, we will kill the Postal Service, we will reduce the volume even further.

As the large magazines and newspapers and power companies go to private distribution, it will ruin the Postal Service if we do not find a solution to it, Mr. Chairman.

Mr. STEED. Well, I think making these comparisons always gives a false picture of what we are talking about.

You know, one of the great private carriers has gone to the wall, Railway Express.

Mr. BAILAR. Yes, sir.

Mr. STEED. If all these other arguments we hear are so good, how come?

Mr. BAILAR. Western Union pretty much ended the delivery of telegrams, as you and I know it, because it is an uneconomical business. If you do get a telegram delivered now, it costs you several dollars to do so.

EFFICIENCY OF POSTAL SERVICE

Mr. STEED. You hear the Postal Service compared to the telephone service. Nobody mentions how many times you get a wrong number or get a foul-up in a phone call which would give us the percentage of failure of use of a telephone; but if a letter turns up missing you hear about it for the next several years—

Mr. BAILAR. I do.

Mr. STEED. — as a measure of the inefficiency of the Postal Service.

Mr. BAILAR. Yes, sir.

Mr. STEED. Yet you and I know that even if you lost one-tenth of one percent of the mail, you would have a volume of loss and an outcry of public anguish so loud it would split all our ear-drums.

I do not believe there is any private corporation in the country that operates to any measure of efficiency within one-tenth of one percent.

Mr. BAILAR. No.

Mr. STEED. If I pay a certain amount a month, I can have a telephone. That gives me the right to put in a call by paying extra for it, and the further away, the more it costs, to close to 30 million places. But I do not have to pay anything to use the Postal Service until I am ready to use it, and then for a 13-cent stamp I can pick any one of 75 million places with which to communicate.

So if you are going to make comparisons, they ought to be made in terms of what you are getting.

Now if a person only sends three first-class letters a year, that is all it costs him. He has this huge choice.

Mr. BAILAR. It costs us about \$50 per household to serve the household on a delivery route each year. If a person just sends a handful of letters, we lose a great deal of money servicing that household.

Mr. ARMSTRONG. Could I inquire at this point? Is that really a good idea to continue? If somebody is only mailing three letters a

year or getting three letters a year, should we continue it, should we put a user charge on it, like a tap fee; maybe consider only once-a-week delivery to cut the costs, or should we say that we should continue it as a public service that you can subscribe to for \$50, and then let the public decide whether or not such service is needed?

Mr. BAILAR. We are considering, I think, all the things you mentioned, and maybe a few more.

CHANGING ROLE OF THE POSTAL SERVICE

Mr. ARMSTRONG. Could we ask that there be inserted in the record a discussion by the Postal Service of what these alternatives are?

This situation he outlined to us is hopeless. We have to have some creative answers.

Mr. STEED. You might make some more detailed reference to the studies you are making. There is this to remember, that the \$50 a house, you go down the street here with 40 houses, he has no way of knowing which one of them sends a lot of mail and which ones do not ever send any.

Mr. BAILAR. If I could elaborate a little on my comments to Mr. Armstrong.

First off, I would say if we do not have adequate support of our public services, some of these things are going to have to be terminated, not as a matter of choice but through necessity.

We do not have the opportunity to print postage stamps to make up our deficit, at least we do not take that avenue.

We have two situations facing us which are very perplexing. On the one hand, the number of addresses is going up 2 percent a year, yet the volume is going down. I think the traditional patterns of the use of the Postal Service in this country are changing.

Urgent personal communications that used to be in the mail are now either transacted over the telephone or maybe through electronic funds transfer when you are dealing with substantial quantities of money.

As these patterns change, I think we have to look at the role of the Postal Service. It is different now than it was 20 years ago and it is going to be different 20 years from now. The Postal Service employs nearly 1 percent of the work force of this country.

Then when you get a massive national commitment in resources, you have to stop and say: Do we really need 1 percent of the work force doing this thing?

The other problem that we have, Mr. Armstrong, is that the people who put the money into the Postal Service are by and large business mailers. The people who demand postal service, small p, small s, are by and large Mr. and Mrs. America. The private householder says, "I want it at the door, I want it early in the day, I want it 6 days a week," all the things that usually the publisher of a magazine is not particularly concerned about, but that is not to say they do not pay any attention to it.

But if the dry cleaners who take care of my suit are going to send me a bill, they do not really care whether I get it today or tomorrow, at 8 o'clock in the morning.

RECOGNIZING THE ECONOMIC COST OF THE POSTAL SERVICE

Mr. ARMSTRONG. The reason for that is obvious, to the Mr. and Mrs. Average American Householder, the service is free. There is no incentive, for them to economize in what they demand. Anybody who has studied economics—and I do not mean to give you a lecture on economics—

Mr. BAILAR. I am in complete agreement.

Mr. ARMSTRONG. — the first thing about economics is that you encourage waste and extravagance unless the user pays something for what he receives. So we have a system which has a built-in bias, towards the kind of problem that in fact is destroying the Postal Service.

Mr. BAILAR. If I can paraphrase what you said, our rate structure and our service structure are not tied together. It is a problem that concerns us deeply.

Mr. ARMSTRONG. Let me make one further observation before I yield back to the chairman, who has already been patient. I did not mean to interrupt your line of questioning, Mr. Chairman.

Mr. STEED. That is all right.

Mr. ARMSTRONG. But I believe, having done no research on this, I believe that if an alternative were available that would permit the users, that is, I do not mean the mailers but the receivers, Mr. and Mrs. Average American, as you characterize them, to achieve some economic benefit by curtailing their desire for 6-day postal service or 7-day postal service or twice a day delivery or all of the features that make it expensive, if that incentive is there, I think you would find the demand would shrink rapidly down to manageable levels, just as did the demand for Western Union telegrams.

There has been no complaint, to my knowledge, about the lack of delivery of telegrams, because once the economic cost was reflected in the delivery cost, it was easier to do without.

Mr. BAILAR. It takes care of itself.

Mr. ARMSTRONG. You bet.

Thank you, Mr. Chairman; forgive me for interrupting you.

Mr. STEED. Well, you get into a thing here and I'm not sure what the right word is we should use is but I guess people act like people. There is no known way to get people to bring their mail to the Post Office except at the end of the day. You can talk and preach and do everything, it is almost a miracle they even managed to have people start using the ZIP Codes, which not all of them do even yet, although the advantage to the mailer is so obvious that you would think that since it is in their own best interest that they would do that.

But people must have mail service. I do not think you could break that habit. What would they do for something to complain about if they did not have the mail service?

One of the unsung "goods" that come out of the Postal Service is that it provides a marvelous therapy for the American people. If they did not have that to complain about, they might just cloud up and blow up.

Mr. LONG. Mr. Chairman, an additional virtue is it would deprive people of an excuse when they haven't sent their bills in. They can always complain about the bad mail service.

JUSTIFICATION FOR PUBLIC SERVICE SUBSIDY

Mr. STEED. Of course, I never met a postal patron yet that wouldn't be first to admit he knew more how to run it than the Postmaster General and all of his assistants, and if you have a minute to spare he will tell you. The fact that he doesn't know what he is talking about hasn't a darn thing to do with it because he will be right back tomorrow with some more ideas.

That, I think, is typical of why we are going to have trouble changing some of these things and why we ought to face up to the fact that you do have a public subsidy problem here that I think you can justify. I think there is much good that comes out of it, a whole lot more than some of the things we call public service that we fund out of the taxpayers' pocket.

PUBLIC LAW 93-328 APPROPRIATIONS

As to the amount of money that has been appropriated and is currently pending and will have to be considered during the life of Public Law 93-328, could you estimate what that, at the rate the present level of things, would total from the beginning to the end of it?

You can supply that for the record.

Mr. BAILAR. We had it when the law was being considered and I have just forgotten, Mr. Chairman.

Mr. STEED. Just so we get a complete picture. If we are going to have to go through this hassle every time we might as well get a picture of what all we are going to be involved with.

Mr. BAILAR. Would you like it now, Mr. Chairman?

Mr. STEED. Yes.

Mr. GOULD. This is looking at our estimate for the fiscal years 1975 through 1987; the additional amount for Public Law 93-328 would be \$1.430 billion, and the total amount including Public Law 93-328, through 1987, would be \$4.864 billion.

FINANCING POSTAL DEFICIT

Mr. STEED. General, you made reference to the deficit situation you are now in. How are you going to handle that? What can you do to cope with that?

Mr. BAILAR. Mr. Chairman, are you talking about the deficit we have already incurred, or future deficits?

Mr. STEED. That you already have.

Mr. BAILAR. The deficits that we have incurred over the last few years have been financed in two ways. One was through the rather considerable cash balances that the Postal Service had at the time that it was established.

We had nearly \$2 billion to my recollection, and that has just been dissipated, accommodating these deficits. We also have in our law the authority to borrow up to \$500 million a year to cover operating losses which we have very reluctantly exercised just because it has been necessary on a couple of occasions to meet the payroll. But that is bad, bad business. It just makes the hole deeper than ever.

The borrowings have to be repaid. You have interest on the borrowings, and it is just not the way to run an operation, Government or private. It is bad practice.

Mr. STEED. In terms of your capital investment, what level are you carrying on now in new facilities as well as new equipment?

LEVEL OF CAPITAL INVESTMENT

Mr. BAILAR. I will give you some very precise numbers for the record, Mr. Chairman, but in general terms it is around \$800 million a year. It is a level about three times the amount that was an average year in the late years in the Post Office Department.

As you know, the Postal Service was traditionally postponing needed capital investments both on mechanization and buildings, generally because it was rather low priority in the Federal budget process, and one of the things that we were mandated to do and have tried to do is to upgrade our plant, and our vehicles, and our mechanization.

That is why that sharp increase, and we will give you some very specific numbers year by year.

[The information referred to follows:]

CAPITAL INVESTMENT
1967 - 1977
ACTUAL COMMITMENTS THRU 1975
(\$'000's)

FISCAL YEAR	BUILDING CONSTRUCTION/PURCHASE (A)	IMPROVEMENTS	FIXED MECH.	VEHICLES	OTHER EQUIPMENT (B)	TOTAL
1967	10,397	\$ 18,790	\$ 15,530	\$ 33,346	\$ 70,594	\$ 148,657
1968	31,398	46,665	44,319	44,831	58,520	225,733
1969	33,574	43,815	15,275	65,256	77,555	235,475
1970	77,292	24,323	15,879	60,670	70,168	248,332
1971	82,654	31,955	58,656	28,255	33,882	235,402
1972	319,367	73,345	239,220	44,018	49,297	725,247
1973	419,303	65,461	186,282	43,098	88,752	802,896
1974	208,522	77,420	19,410	59,208	99,352	463,912
1975	285,282	187,395	83,919	78,123	100,397	735,116
1976 - Est	563,109	104,611	69,958	78,993	137,303	953,974
T.Q - Est	164,552	19,892	9,878	116	20,297	214,735
1977 - Est	832,327	60,579	114,312	135,415	221,685	1,364,318

(A) FY 1968 was initial year for authority to construct postal public buildings. Authority was delegated to PMG by Administrator of GSA on December 1, 1966. The initial appropriation was \$50.0 million. Prior to FY 1968, amounts shown were primarily site and design for leased facilities. Construction of building was financed by successful bidder and bidder repaid POD for all cash paid out for site and design.

(B) Includes mail processing equipment (exclusive of Fixed Mechanization Systems), Customer Service Equipment, and Postal Support Equipment.

Mr. STEED. Fine.

STATUS OF CAPITAL INVESTMENT PROGRAM

What is your estimate now as to when you will reach a point that you would consider satisfactory in achieving mechanization and acquiring the capital assets necessary for it?

Mr. BAILAR. I would like to ask Mr. Ellington to answer, if I may, Mr. Chairman.

Mr. ELLINGTON. Mr. Chairman, in terms of achieving a level of mechanization that we would consider to be saturation we are still several years away, but even today approximately 60 percent of letter mail is already going through mechanization, some form of machinery in processing, and in the area of carrier delivery, we have already motorized about 80 percent of our carrier routes, so we are well along the way, but we do see another four or five years of fairly intensive deployment of mechanization.

The one reason for this is the lead time on new equipment such as an optical character reader. It is generally 3 or 4 years before you can go from development to deployment, so I think we will see a continued higher level of investment for about the next 4 or 5 years and then it should start to decline.

This is essentially the same pattern that we see ahead for investment in facilities. It is starting to top out now.

Mr. STEED. Mr. Armstrong.

PAY AND BENEFITS FOR POSTAL EMPLOYEES

Mr. ARMSTRONG. Thank you, Mr. Chairman.

Mr. Bailar, I have been reviewing the pay and benefits increase summary which appears on page 93 of your submission and I am unable to tell from that anything much about the present pay structure.

Could you give us a brief overview of that? In other words, what kind of pay and benefit scales do present employees enjoy, and then could you insert for the record, unless it is somewhere else in your statement that I haven't seen, some detail on that? In other words, how much the various classes of employees make, what are their pay scales?

Mr. BAILAR. We will be happy to.

I think probably the thing that is most meaningful is how many dollars per year per employee, and I would like to ask Mr. Dorsey in just a minute to provide you with some current examples of what a letter carrier starts at and what his average is and what they reach in their peak year.

As you know, the postal employees have participated in collective bargaining with postal management since the time of the Postal Reorganization Act. There was some catchup involved in the original negotiations. The most recent negotiations were concluded in July of this last year when we signed a 3-year contract and in that contract we had provisions for an increase averaging about 4 percent a year plus a cost-of-living allowance.

I think by any standard of comparability with major private settlements it was a favorable contract. I have in my office a copy of the Labor Department's press release on 1975 settlements and I would like to take some things from that and compare them and supply them to you for the record.

But as far as averages per employee, I would like to have Mr. Dorsey give you some numbers right now.

[The information referred to follows:]

Comparison of Postal Service Settlement with
Major Settlements in the Private Sector

The Bureau of Labor Statistics reports that during 1975 the average adjustments in wages alone was 10.2% in the first year and 7.8% per year over the life of the contracts. (See Attachment A). Comparable figures for the Postal Service settlement are 5.06% and 3.9% respectively.

Similar data for wages and benefits indicate private sector increases of 11.2% in the first year and 8.0% over the life of the contract excluding COLA adjustments. (See Attachment B). Comparable figures for the Postal Service are 6.08% and 4.2% respectively.

A comparison of the July, 1975 Postal Settlement with other major contract settlements in the private sector between July, 1974 and December, 1975 indicates that settlements in the private sector have been substantially higher than that of the Postal Service. (See Attachments C and D).

Percent Changes in Wages Only, Major
Collective Bargaining Settlements, First 9
Months 1975 (1,000 Workers or more)

<u>Measure</u>	<u>*Average Adjustments</u>	<u>Number of Workers</u>
First-year changes in --		
All industries	10.3%	2.4 Million
Manufacturing	10.0%	.6 Million
Non-manufacturing	10.4%	1.8 Million
Annual rate of change over life of contract --		
All industries	7.8%	2.4 Million
Manufacturing	8.2%	.6 Million
Non-manufacturing	7.7%	1.8 Million

* Measures of current settlements generally omit possible changes in wages resulting from escalator clauses (except where a minimum COLA is guaranteed in the contract).

Source: Bureau of Labor Statistics' Release, USDL-75-594,
Major Collective Bargaining Settlements First 9
Months 1975, October 24, 1975.

Percent Changes in Wages and Benefits,
Major Collective Bargaining Settlements, 1975,
(5,000 workers or more)

<u>Measure</u>	<u>*Average Adjustments</u>	<u>Number of Workers</u>
First-year changes in--		
All industries	11.2%	1.7 Million
Annual rate of change over life of contract--		
All industries	8.0%	1.7 Million

*Measures of current settlements generally omit possible changes in wages resulting from escalator clauses (except where a minimum COLA is guaranteed in the contract).

Source: Bureau of Labor Statistics' Release, USDL-76-51,
Major Collective Bargaining Settlements, 1975,
January 23, 1976.

RECENT SETTLEMENTS IN THE PRIVATE SECTORGeneral

1975 was a relatively light year for collective bargaining in the private sector and few major industry collective bargaining agreements expired during the year. Therefore, the following information and the data contained in Attachment D include major industry settlements since July 1974, as well as, those collective bargaining settlements considered to be the largest and most significant agreements negotiated in 1975.

Since July 1974 wages in the private sector have been increasing at approximately 1% a month and fringe benefits at a slightly higher rate. By comparison, the Postal Service's settlement was approximately .6 of 1% per month.

July 1974 - Telephone - Communications Workers (500,000)

AT&T settled a three year contract estimated at 12% the first year and 3-3/4% in each of the last two years plus annual COLA in the second and third years. Wage increases the first year were 9.7% plus approximately 2% for local adjustments and 3-3/4% the second and third years plus annual uncapped COLA at .6% plus 50¢ per week for each 1% rise in the 1967 index.

Fringe benefits included a 10th holiday, new dental plan and improved medical and pension plans.

The wage package is estimated at 11.4% per year and the total package at 13.0% per year.

November 1974 - Soft Coal - United Mine Workers (200,000)

The Bituminous Coal Operators Association settled a 3 year contract with wage increases of 10% the first year plus 2% for upgrading certain classifications, 4% the second year and 3% the third year plus a quarterly COLA adjustment at .4 points (1957 index). The COLA formula is roughly equivalent to .35 points on the 1967 index and is capped at 2% rise in CPI each quarter.

Fringe benefits included 5 days sick or personal leave (new), 6 days additional vacation, vastly improved health and retirement benefits, and increased clothing allowances, military leave, life insurance and shift differentials.

The wage increase assuming maximum COLA is estimated at 12% per year and the total package at 18% per year.

November 1974 - UPS - Teamsters, New York, NY (4,500)

In November '74, UPS settled their strike in New York with a three year agreement retroactive to July 1, 1974 calling for wage increases of 11% the first year, 5% the second year and 8-1/2% the third year plus capped (11¢) COLA in each of the last two years. The COLA formula is based on .3 points on the 1957 index.

Fringe benefit increases included higher contributions to health and pension plans and a 10th paid holiday.

Wage increases are estimated at 9.4% per year and the total package at 10% per year.

January 1975 - Petroleum - Oil, Chemical & Atomic Workers (60,000)

Nine major Oil Refining Companies settled a two year contract for approximately 75¢ (13%) per hour in January 1975 plus 4% July 8, 1975 and 8% the second year. There is no COLA, however, there is a wage reopener the second year if CPI increases more than 5% in 1975.

Fringe benefits include a 10th paid holiday, and improvements in the retirement and health insurance plans.

Wage increases are estimated at 13.4% per year and the total package at 14.3% per year.

January-July 1975 - Railroads - Seven Rail Unions (375,000)

Railroads settled a three year agreement for wage increases of 15% the first year (10% 1/1/75 plus 5% 10/1/75), 3% the second year and 4% the third year plus semi-annual COLA in the second and third years at .4 points for the first three such adjustments and .3 points for the last adjustment. COLA is capped at 12¢ 1/1/76, 16¢ 7/1/76, 17¢ 1/1/77, and 23¢ 7/1/77.

Fringe benefits include a 10th holiday and new dental plan.

The wage increase is estimated at 11.39% per year and the total package at 12.1% per year (assuming a 6% inflation rate). If the maximum COLA of 68¢ is realized, the wage increases will average about 13% per year and the total package 13.7% per year.

March 1975 - Consolidated Edison - Electrical Workers (17,800)

Con Edison and the IBEW settled a 25 1/2-month agreement with wage increases of 10% the first year and 9.1% the second year. An escalator clause was established which provides 2.5 cents per hour worked for each 1 percent increase above 10% in CPI for New York City between May 1976 and April 1977.

Fringe benefits include a 12th holiday (for employees with 5-years service); improved health and pension benefits; increased meal allowances; and expanded dental benefits.

The wage package is estimated at 9% per year and the total package at 10% per year.

May 1975 - Hard Coal - United Mine Workers (2,300)

The Anthracite Operators Wage Negotiating Committee and the United Mine Workers settled a 3 year contract with wage increases of \$1.50 per hour the first year, 30¢ per hour the second year, and 30¢ per hour the third year plus semi-annual COLA adjustments in November 1976, May 1977, and

November 1977 of 1¢ for each .4 increase in the CPI. A cap of a 3% rise in the 1967 index applies to each semi-annual adjustment.

Fringe benefits included additional vacation pay, a 9th holiday, shift differential increases, clothing allowance increases, 2 days funeral leave, 2 days personal leave, improved health benefits, improved sickness and accident benefits, and a 55% increase in the employer's contribution to the retirement fund.

The wage package is estimated at 13.4% per year and the total package at 18.4% per year.

June 1975 - Cement Industry - Cement, Lime, and Gypsum Workers (14,000)

Various cement companies and the Cement Workers' Union have negotiated pattern settlements for the industry which call for a 60¢ per hour increase on May 1, 1975; a 25¢ increase on November 1, 1975; a 50¢ increase on May 1, 1976; and a 45¢ increase on May 1, 1977.

Fringe benefits included a 7th week of vacation after 35 years service, a \$150 per month increase in S.U.B. benefits, a \$30 per week 3-stage increase in sickness and accident benefits, and improvements in the pension, health and dental benefits.

The wage package is estimated at 10.4% per year and the total package at 12% per year.

July 1975 - Maritime - Longshoremen (12,000)

The Pacific Maritime Association and the CLWU settled a three year contract for 70¢ per hour the first year, 60¢ the second year and 85¢ the third year bringing their average rate from \$6.22 per hour to \$8.37 per hour. There is no COLA in this contract.

Fringe benefit increases included 4 additional holidays (1 in 1976 and 3 more in 1977 for a total of 9), and increases in pension benefits from \$350 to \$450 per year of service for those with 25 or more years of service.

Wage increases total 34.6% or 11.5% per year.

August 1975 - Food Chain Stores - So. California Retail Clerks (55,000)

Food Employees Council, Inc. settled a three year agreement covering food chain store employees effective July 28, 1975 providing for annual increases of 9.4%, 6.9% and 6.4% plus annual COLA adjustments of up to 10¢ each February.

Increased employer contributions to fringe benefit programs include 14.6¢ per hour for pensions, 1¢ per hour for health and 1.5¢ per hour for Supplemental Unemployment and Disability Fund.

Wage increases are estimated at 10% per year if the 10¢ maximum COLA increases are realized.

November 1975 - Shipyard - Metal Trades Workers (10,000)

General Dynamics Electric Boat Division and 11 Unions of the Metal Trades Council settled a 43-month contract after a 21-week strike for an immediate increase of 13% plus three 6% increases due on December 1, 1976 1977 and 1978. The contract also provides for COLA adjustments of 18¢ per hour on July 1, 1976 and an additional 10¢ July 1, 1978.

Pension benefits were increased from \$6.50 to \$10.00 per month per year of service, and sickness and accident benefits were increased from \$105 to \$120 per week.

Wage increases are estimated at 40% over 43 months. It should be noted, however, that current average rates appear somewhat low at \$4.51 per hour.

December 1975 - Motion Picture & Television Industry - Film Technicians (20,000)

The Association of Motion Picture and Television Producers, Inc. and the International Alliance of Theatrical and Stage Employees settled a 42-month contract bringing Film Technicians' rates from \$6.22 per hour to \$9.36 per hour in four increments of 15%, 12%, 12% and 6% effective in February 1976, 1977, 1978 and 1979.

No increases in fringe benefits are reported, however, this is a 50.48% increase in wages alone over a 42-month period or 14.4% per year.

Note: Estimated increases include actual COLA adjustments to date and future adjustments based on 6% annual increase in CPI.

Summary of Major Contract Settlements in the
Private Sector, July 1974 - December 1975

Effective Date of Contract	Contract Settlement	Duration of Contract	*Estimated Percent Increase in Straight-time Pay for Duration of Contract	*Estimated Percent Increase of Total Package (Including Benef.) for Duration of Contract	Estimated Average Percent Increase per Year in Straight-time Pay	Estimated Average % Inc. Per Year of Total Package (Including Benefits)
July 1974	Telephone Workers	3 Years	34.1%	39.0%	11.4%	13.0%
Nov. 1974	Bituminous Coal	3 Years	36.0%	54.0%	12.0%	18.0%
Nov. 1974	UPS-N.Y. City	3 Years	28.2%	30.0%	9.4%	10.0%
Jan. 1975	Oil Refineries	2 Years	26.8%	28.6%	13.4%	14.3%
Jan. - July 1975	Railroads (7 Unions)	3 Years	39.0%	41.1%	13.0%	13.7%
Mar. 1975	Con Edison	25 1/2 Mo.	19.1%	21.2%	9.0%	10.0%
May 1975	Anthracite Coal	3 Years	40.2%	55.2%	13.4%	18.4%
June 1975	Cement Industry	3 Years	31.2%	36.0%	10.4%	12.0%
July 1975	USPS	3 Years	**23.2%	**23.1%	7.7%	7.7%
July 1975	Pacific Maritime Assn.	3 Years	34.6%	NA	11.5%	NA
Aug. 1975	Retail Food Clerks	3 Years	30.0%	NA	10.0%	NA
Nov. 1975	Gen. Dyn. Elec. Boat	43 Months	40.0%	NA	11.2%	NA
Dec. 1975	Film Technicians	42 Months	50.5%	NA	14.4%	NA

NA = Not available

* Estimated increases include actual COLA adjustments to date and future adjustments based on 6% annual increase in CPI. Original estimate of 21.4% was based on CPI projection of 6% per year through March 1976 and 5% per year thereafter.

** The above estimate has been adjusted to conform to the projection used for other industries shown on this report; specifically inclusion of 7¢ COLA as of Nov. 8, 1975 and CPI projected at 6% per year from September 1975 to March 1978.

Sources: Current Wage Developments and Employment and Earnings, Bureau of Labor Statistics; Bureau of National Affairs; Union Contracts; and Industry Trade Publications.

Postal Service Schedule-Hourly Rate Regulars-Effective July 21, 1975

PS

Level	Steps:	1	2	3	4	5	6	7	8	9	10	11	12
1		4.52	4.60	4.69	4.77	4.85	4.94	5.02	5.10	5.19	5.27	5.35	5.44
2		4.72	4.81	4.90	4.99	5.08	5.17	5.26	5.35	5.44	5.53	5.62	5.71
3		4.94	5.04	5.13	5.23	5.33	5.43	5.52	5.62	5.72	5.81	5.91	6.01
4		5.18	5.28	5.39	5.49	5.60	5.70	5.80	5.91	6.01	6.12	6.22	6.33
5		5.43	5.54	5.66	5.77	5.88	6.00	6.11	6.22	6.34	6.45	6.56	6.67
6		5.71	5.83	5.95	6.07	6.20	6.32	6.44	6.56	6.69	6.81	6.93	7.05
7		6.00	6.14	6.27	6.40	6.53	6.66	6.80	6.93	7.06	7.19	7.33	7.46
8		6.33	6.47	6.61	6.76	6.90	7.04	7.19	7.33	7.47	7.61	7.76	

POSTAL SERVICE SCHEDULE-FLEXIBLE EMPLOYEES-HOURLY RATES-EFFECTIVE JULY 21, 1975

PS

Level	Steps:	1	2	3	4	5	6	7	8	9	10	11	12
1		4.68	4.77	4.86	4.94	5.03	5.11	5.20	5.29	5.37	5.46	5.54	5.63
2		4.89	4.99	5.08	5.17	5.26	5.36	5.45	5.54	5.64	5.73	5.82	5.92
3		5.12	5.22	5.32	5.42	5.52	5.62	5.72	5.82	5.92	6.02	6.12	6.22
4		5.36	5.47	5.58	5.69	5.80	5.90	6.01	6.12	6.23	6.34	6.45	6.56
5		5.63	5.74	5.86	5.98	6.09	6.21	6.33	6.45	6.56	6.68	6.80	6.91
6		5.91	6.04	6.16	6.29	6.42	6.55	6.67	6.80	6.93	7.05	7.18	7.31
7		6.22	6.36	6.49	6.63	6.77	6.90	7.04	7.18	7.31	7.45	7.59	7.73
8		6.55	6.70	6.85	7.00	7.15	7.29	7.44	7.59	7.74	7.89	8.04	

POSTAL SERVICE SCHEDULE - FULL TIME ANNUAL RATES - EFFECTIVE JULY 21, 1975

PS LEVEL	STEP 1	2	3	4	5	6	7	8	9	10	11	12	STEP INC.
1	9,404	9,577	9,750	9,923	10,096	10,269	10,442	10,615	10,788	10,961	11,134	11,307	173
2	9,823	10,010	10,197	10,384	10,571	10,758	10,945	11,132	11,319	11,506	11,693	11,880	187
3	10,276	10,478	10,680	10,882	11,084	11,286	11,488	11,690	11,892	12,094	12,296	12,498	202
4	10,766	10,984	11,202	11,420	11,638	11,856	12,074	12,292	12,510	12,728	12,946	13,164	218
5	11,298	11,533	11,768	12,003	12,238	12,473	12,708	12,943	13,178	13,413	13,648	13,883	235
6	11,869	12,124	12,379	12,634	12,889	13,144	13,399	13,654	13,909	14,164	14,419	14,674	255
7	12,488	12,763	13,038	13,313	13,588	13,863	14,138	14,413	14,688	14,963	15,238	15,513	275
8	13,157	13,455	13,753	14,051	14,349	14,647	14,945	15,243	15,541	15,839	16,137		298
9	13,881	14,203	14,525	14,847	15,169	15,491	15,813	16,135	16,457	16,779			322
10	14,643	14,991	15,339	15,687	16,035	16,383	16,731	17,079	17,427	17,775			348
11	15,800	16,186	16,572	16,958	17,344	17,730	18,116	18,502	18,888	19,274			386

RURAL CARRIER MILEAGE SCHEDULE - EFFECTIVE JULY 21, 1975

ROUTE MILES	STEP	1	2	3	4	5	6	7	8	9	10	11	12
6		8,100	8,287	8,474	8,661	8,848	9,035	9,222	9,409	9,596	9,783	9,970	10,157
7		8,219	8,408	8,597	8,786	8,975	9,164	9,353	9,542	9,731	9,920	10,109	10,298
8		8,338	8,529	8,720	8,911	9,102	9,293	9,484	9,675	9,866	10,057	10,248	10,439
9		8,457	8,650	8,843	9,036	9,229	9,422	9,615	9,808	10,001	10,194	10,387	10,580
10		8,576	8,771	8,966	9,161	9,356	9,551	9,746	9,941	10,136	10,331	10,526	10,721
11		8,695	8,892	9,089	9,286	9,483	9,680	9,877	10,074	10,271	10,468	10,665	10,862
12		8,814	9,013	9,212	9,411	9,610	9,809	10,008	10,207	10,406	10,605	10,804	11,003
13		8,933	9,134	9,335	9,536	9,737	9,938	10,139	10,340	10,541	10,742	10,943	11,144
14		9,052	9,255	9,458	9,661	9,864	10,067	10,270	10,473	10,676	10,879	11,082	11,285
15		9,171	9,376	9,581	9,786	9,991	10,196	10,401	10,606	10,811	11,016	11,221	11,426
16		9,290	9,497	9,704	9,911	10,118	10,325	10,532	10,739	10,946	11,153	11,360	11,567
17		9,409	9,618	9,827	10,036	10,245	10,454	10,663	10,872	11,081	11,290	11,499	11,708
18		9,528	9,739	9,950	10,161	10,372	10,583	10,794	11,005	11,216	11,427	11,638	11,849
19		9,647	9,860	10,073	10,286	10,499	10,712	10,925	11,138	11,351	11,564	11,777	11,990
20		9,766	9,981	10,196	10,411	10,626	10,841	11,056	11,271	11,486	11,701	11,916	12,131
21		9,885	10,102	10,319	10,536	10,753	10,970	11,187	11,404	11,621	11,838	12,055	12,272
22		10,004	10,223	10,442	10,661	10,880	11,099	11,318	11,537	11,756	11,975	12,194	12,413
23		10,123	10,344	10,565	10,786	11,007	11,228	11,449	11,670	11,891	12,112	12,333	12,554
24		10,242	10,465	10,688	10,911	11,134	11,357	11,580	11,803	12,026	12,249	12,472	12,695

RURAL CARRIER MILEAGE SCHEDULE CONTINUED

ROUTE MILES	STEP 1	2	3	4	5	6	7	8	9	10	11	12
25	10,361	10,586	10,811	11,036	11,261	11,486	11,711	11,936	12,161	12,386	12,611	12,836
26	10,480	10,707	10,934	11,161	11,388	11,615	11,842	12,069	12,296	12,523	12,750	12,977
27	10,599	10,828	11,057	11,286	11,515	11,744	11,973	12,202	12,431	12,660	12,889	13,118
28	10,718	10,949	11,180	11,411	11,642	11,873	12,104	12,335	12,566	12,797	13,028	13,259
29	10,837	11,070	11,303	11,536	11,769	12,002	12,235	12,468	12,701	12,934	13,167	13,400
30	10,956	11,191	11,426	11,661	11,896	12,131	12,366	12,601	12,836	13,071	13,306	13,541
31	10,985	11,220	11,455	11,690	11,925	12,160	12,395	12,630	12,865	13,100	13,335	13,570
32	11,013	11,248	11,483	11,718	11,953	12,188	12,423	12,658	12,893	13,128	13,363	13,598
33	11,042	11,277	11,512	11,747	11,982	12,217	12,452	12,687	12,922	13,157	13,392	13,627
34	11,070	11,305	11,540	11,775	12,010	12,245	12,480	12,715	12,950	13,185	13,420	13,655
35	11,099	11,334	11,569	11,804	12,039	12,274	12,509	12,744	12,979	13,214	13,449	13,684
36	11,127	11,362	11,597	11,832	12,067	12,302	12,537	12,772	13,007	13,242	13,477	13,712
37	11,156	11,391	11,626	11,861	12,096	12,331	12,566	12,801	13,036	13,271	13,506	13,741
38	11,184	11,419	11,654	11,889	12,124	12,359	12,594	12,829	13,064	13,299	13,534	13,769
39	11,213	11,448	11,683	11,918	12,153	12,388	12,623	12,858	13,093	13,328	13,563	13,798
40	11,241	11,476	11,711	11,946	12,181	12,416	12,651	12,886	13,121	13,356	13,591	13,826
41	11,270	11,505	11,740	11,975	12,210	12,445	12,680	12,915	13,150	13,385	13,620	13,855
42	11,298	11,533	11,768	12,003	12,238	12,473	12,708	12,943	13,178	13,413	13,648	13,883

RURAL CARRIER MILEAGE SCHEDULE CONTINUED

ROUTE MILES	STEP 1	2	3	4	5	6	7	8	9	10	11	12
43	11,327	11,562	11,797	12,032	12,267	12,502	12,737	12,972	13,207	13,442	13,677	13,912
44	11,355	11,590	11,825	12,060	12,295	12,530	12,765	13,000	13,235	13,470	13,705	13,940
45	11,384	11,619	11,854	12,089	12,324	12,559	12,794	13,029	13,264	13,499	13,734	13,969
46	11,412	11,647	11,882	12,117	12,352	13,587	12,822	13,057	13,292	13,527	13,762	13,997
47	11,441	11,676	11,911	12,146	12,381	12,616	12,851	13,086	13,321	13,556	13,791	14,026
48	11,469	11,704	11,939	12,174	12,409	12,644	12,879	13,114	13,349	13,584	13,819	14,054
49	11,498	11,733	11,968	12,203	12,438	12,673	12,908	13,143	13,378	13,613	13,848	14,083
50	11,526	11,761	11,996	12,231	12,466	12,701	12,936	13,171	13,406	13,641	13,876	14,111
51	11,555	11,790	12,025	12,260	12,495	12,730	12,965	13,200	13,435	13,670	13,905	14,140
52	11,583	11,818	12,053	12,288	12,523	12,758	12,993	13,228	13,463	13,698	13,933	14,168
53	11,612	11,847	12,082	12,317	12,552	12,787	13,022	13,257	13,492	13,727	13,962	14,197
54	11,640	11,875	12,110	12,345	12,580	12,815	13,050	13,285	13,520	13,755	13,990	14,225
55	11,669	11,904	12,139	12,374	12,609	12,844	13,079	13,314	13,549	13,784	14,019	14,254
56	11,697	11,932	12,167	12,402	12,637	12,872	13,107	13,342	13,577	13,812	14,047	14,282
57	11,726	11,961	12,196	12,431	12,666	12,901	13,136	13,371	13,606	13,841	14,076	14,311
58	11,754	11,989	12,224	12,459	12,694	12,929	13,164	13,399	13,634	13,869	14,104	14,339
59	11,783	12,018	12,253	12,488	12,723	12,958	13,193	13,428	13,663	13,898	14,133	14,368

RURAL CARRIER MILEAGE SCHEDULE CONTINUED

ROUTE MILES	STEP 1	2	3	4	5	6	7	8	9	10	11	12
60	11,811	12,046	12,281	12,516	12,751	12,986	13,221	13,456	13,691	13,926	14,161	14,396
61	11,840	12,075	12,310	12,545	12,780	13,015	13,250	13,485	13,720	13,955	14,190	14,425
62	11,868	12,103	12,338	12,573	12,808	13,043	13,278	13,513	13,748	13,983	14,218	14,453
63	11,897	12,132	12,367	12,602	12,837	13,072	13,307	13,542	13,777	14,012	14,247	14,482
64	11,925	12,160	12,395	12,630	12,865	13,100	13,335	13,570	13,805	14,040	14,275	14,510
65	11,954	12,189	12,424	12,659	12,894	13,129	13,364	13,599	13,834	14,069	14,304	14,539
66	11,982	12,217	12,452	12,687	12,922	13,157	13,392	13,627	13,862	14,097	14,332	14,567
67	12,011	12,246	12,481	12,716	12,951	13,186	13,421	13,656	13,891	14,126	14,361	14,596
68	12,039	12,274	12,509	12,744	12,979	13,214	13,449	13,684	13,919	14,154	14,389	14,624
69	12,068	12,303	12,538	12,773	13,008	13,243	13,478	13,713	13,948	14,183	14,418	14,653
70	12,096	12,331	12,566	12,801	13,036	13,271	13,506	13,741	13,976	14,211	14,446	14,681
71	12,125	12,360	12,595	12,830	13,065	13,300	13,535	13,770	14,005	14,240	14,475	14,710
72	12,153	12,388	12,623	12,858	13,093	13,328	13,563	13,798	14,033	14,268	14,503	14,738
73	12,182	12,417	12,652	12,887	13,122	13,357	13,592	13,827	14,062	14,297	14,532	14,767
74	12,210	12,445	12,680	12,915	13,150	13,385	13,620	13,855	14,090	14,325	14,560	14,795
75	12,239	12,474	12,709	12,944	13,179	13,414	13,649	13,884	14,119	14,354	14,589	14,824
76	12,267	12,502	12,737	12,972	13,207	13,442	13,677	13,912	14,147	14,382	14,617	14,852
77	12,296	12,531	12,766	13,001	13,236	13,471	13,706	13,941	14,176	14,411	14,646	14,881

RURAL CARRIER MILEAGE SCHEDULE CONTINUED

ROUTE MILES	STEP	1	2	3	4	5	6	7	8	9	10	11	12
78	12,324	12,559	12,794	13,029	13,264	13,499	13,734	13,969	14,204	14,439	14,674	14,909	
79	12,353	12,588	12,823	13,058	13,293	13,528	13,763	13,998	14,233	14,468	14,703	14,938	
80	12,381	12,616	12,851	13,086	13,321	13,556	13,791	14,026	14,261	14,496	14,731	14,966	
81	12,410	12,645	12,880	13,115	13,350	13,585	13,820	14,055	14,290	14,525	14,760	14,995	
82	12,438	12,673	12,908	13,143	13,378	13,613	13,848	14,083	14,318	14,553	14,788	15,023	
83	12,467	12,702	12,937	13,172	13,407	13,642	13,877	14,112	14,347	14,582	14,817	15,052	
84	12,495	12,730	12,965	13,200	13,435	13,670	13,905	14,140	14,375	14,610	14,845	15,080	
85	12,524	12,759	12,994	13,229	13,464	13,699	13,934	14,169	14,404	14,639	14,874	15,109	
86	12,552	12,787	13,022	13,257	13,492	13,727	13,962	14,197	14,432	14,667	14,902	15,137	
87 *	12,581	12,816	13,051	13,286	13,521	13,756	13,991	14,226	14,461	14,696	14,931	15,166	
88	12,609	12,844	13,079	13,314	13,549	13,784	14,019	14,254	14,489	14,724	14,959	15,194	
89	12,638	12,873	13,108	13,343	13,578	13,813	14,048	14,283	14,518	14,753	14,988	15,223	
90	12,666	12,901	13,136	13,371	13,606	13,841	14,076	14,311	14,546	14,781	15,016	15,251	
91	12,695	12,930	13,165	13,400	13,635	13,870	14,105	14,340	14,575	14,810	15,045	15,280	
92	12,723	12,958	13,193	13,428	13,663	13,898	14,133	14,368	14,603	14,838	15,073	15,308	
93	12,752	12,987	13,222	13,457	13,692	13,927	14,162	14,397	14,632	14,867	15,102	15,337	
94	12,780	13,015	13,250	13,485	13,720	13,955	14,190	14,425	14,660	14,895	15,130	15,365	

RURAL CARRIER MILEAGE SCHEDULE CONTINUED

ROUTE MILES	STEP 1	2	3	4	5	6	7	8	9	10	11	12
95	12,809	13,044	13,279	13,514	13,749	13,984	14,219	14,454	14,689	14,924	15,159	15,394
96	12,837	13,072	13,307	13,542	13,777	14,012	14,247	14,482	14,717	14,952	15,187	15,422
97	12,866	13,101	13,336	13,571	13,806	14,041	14,276	14,511	14,746	14,981	15,216	15,451
98	12,894	13,129	13,364	13,599	13,834	14,069	14,304	14,539	14,774	15,009	15,244	15,479
99	12,923	13,158	13,393	13,628	13,863	14,098	14,333	14,568	14,803	15,038	15,273	15,508
100	12,951	13,186	13,421	13,656	13,891	14,126	14,361	14,596	14,831	15,066	15,301	15,536
101	12,980	13,215	13,450	13,685	13,920	14,155	14,390	14,625	14,860	15,095	15,330	15,565
102	13,008	13,243	13,478	13,713	13,948	14,183	14,418	14,653	14,888	15,123	15,358	15,593
103	13,037	13,272	13,507	13,742	13,977	14,212	14,447	14,682	14,917	15,152	15,387	15,622
104	13,065	13,300	13,535	13,770	14,005	14,240	14,475	14,710	14,945	15,180	15,415	15,650
105	13,094	13,329	13,564	13,799	14,034	14,269	14,504	14,739	14,974	15,209	15,444	15,679
106	13,122	13,357	13,592	13,827	14,062	14,297	14,532	14,767	15,002	15,237	15,472	15,707
107	13,151	13,386	13,621	13,856	14,091	14,326	14,561	14,796	15,031	15,266	15,501	15,736
108	13,179	13,414	13,649	13,884	14,119	14,354	14,589	14,824	15,059	15,294	15,529	15,764
109	13,208	13,443	13,678	13,913	14,148	14,383	14,618	14,853	15,088	15,323	15,558	15,793
110	13,236	13,471	13,706	13,941	14,176	14,411	14,646	14,881	15,116	15,351	15,586	15,821
111	13,265	13,500	13,735	13,970	14,205	14,440	14,675	14,910	15,145	15,380	15,615	15,850

RURAL CARRIER MILEAGE SCHEDULE CONTINUED

ROUTE MILES	STEP 1	2	3	4	5	6	7	8	9	10	11	12
112	13,293	13,528	13,763	13,998	14,233	14,468	14,703	14,938	15,173	15,408	15,643	15,878
113	13,322	13,557	13,792	14,027	14,262	14,497	14,732	14,967	15,202	15,437	15,672	15,907
114	13,350	13,585	13,820	14,055	14,290	14,525	14,760	14,995	15,230	15,465	15,700	15,935
115	13,379	13,614	13,849	14,084	14,319	14,554	14,789	15,024	15,259	15,494	15,729	15,964
116	13,407	13,642	13,877	14,112	14,347	14,582	14,817	15,052	15,287	15,522	15,757	15,992
117	13,436	13,671	13,906	14,141	14,376	14,611	14,846	15,081	15,316	15,551	15,786	16,021
118	13,464	13,699	13,934	14,169	14,404	14,639	14,874	15,109	15,344	15,579	15,814	16,049
119	13,493	13,728	13,963	14,198	14,433	14,668	14,903	15,138	15,373	15,608	15,843	16,078
120	13,521	13,756	13,991	14,226	14,461	14,696	14,931	15,166	15,401	15,636	15,871	16,106
121	13,550	13,785	14,020	14,255	14,490	14,725	14,960	15,195	15,430	15,665	15,900	16,135
122	13,578	13,813	14,048	14,283	14,518	14,753	14,988	15,223	15,458	15,693	15,928	16,163
123	13,607	13,842	14,077	14,312	14,547	14,782	15,017	15,252	15,487	15,722	15,957	16,192
124	13,635	13,870	14,105	14,340	14,575	14,810	15,045	15,280	15,515	15,750	15,985	16,220
125	13,664	13,899	14,134	14,369	14,604	14,839	15,074	15,309	15,544	15,779	16,014	16,249
126	13,692	13,927	14,162	14,397	14,632	14,867	15,102	15,337	15,572	15,807	16,042	16,277
127	13,721	13,956	14,191	14,426	14,661	14,896	15,131	15,366	15,601	15,836	16,071	16,306
128	13,749	13,984	14,219	14,454	14,689	14,924	15,159	15,394	15,629	15,864	16,099	16,334

RURAL CARRIER MILEAGE SCHEDULE CONTINUED

ROUTE MILES	STEP 1	2	3	4	5	6	7	8	9	10	11	12
129	13,778	14,013	14,248	14,483	14,718	14,953	15,188	15,423	15,658	15,893	16,128	16,363
130	13,806	14,041	14,276	14,511	14,746	14,981	15,216	15,451	15,686	15,921	16,156	16,391
131	13,835	14,070	14,305	14,540	14,775	15,010	15,245	15,480	15,715	15,950	16,185	16,420
132	13,863	14,098	14,333	14,568	14,803	15,038	15,273	15,508	15,743	15,978	16,213	16,448
133	13,892	14,127	14,362	14,597	14,832	15,067	15,302	15,537	15,772	16,007	16,242	16,477
134	13,920	14,155	14,390	14,625	14,860	15,095	15,330	15,565	15,800	16,035	16,270	16,505
135	13,949	14,184	14,419	14,654	14,889	15,124	15,359	15,594	15,829	16,064	16,299	16,534
136	13,977	14,212	14,447	14,682	14,917	15,152	15,387	15,622	15,857	16,092	16,327	16,562
137	14,006	14,241	14,476	14,711	14,946	15,181	15,416	15,651	15,886	16,121	16,356	16,591
138	14,034	14,269	14,504	14,739	14,974	15,209	15,444	15,679	15,914	16,149	16,384	16,619
139	14,063	14,298	14,533	14,768	15,003	15,238	15,473	15,708	15,943	16,178	16,413	16,648
140	14,091	14,326	14,561	14,796	15,031	15,266	15,501	15,736	15,971	16,206	16,441	16,676

RURAL CARRIER HEAVY DUTY SCHEDULE - EFFECTIVE JULY 21, 1975

HOURS	STEP 1	2	3	4	5	6	7	8	9	10	11	12
25	7,061	7,208	7,355	7,502	7,649	7,796	7,943	8,089	8,236	8,383	8,530	8,677
26	7,344	7,496	7,649	7,802	7,955	8,107	8,260	8,413	8,566	8,718	8,871	9,024
27	7,626	7,785	7,943	8,102	8,261	8,419	8,578	8,737	8,895	9,054	9,212	9,371
28	7,909	8,073	8,238	8,402	8,567	8,731	8,896	9,060	9,225	9,389	9,554	9,718
29	8,191	8,361	8,532	8,702	8,873	9,043	9,213	9,384	9,554	9,724	9,895	10,065
30	8,474	8,650	8,826	9,002	9,179	9,355	9,531	9,707	9,884	10,060	10,236	10,412
31	8,756	8,938	9,120	9,302	9,484	9,667	9,849	10,031	10,213	10,395	10,577	10,759
32	9,038	9,226	9,414	9,602	9,790	9,978	10,166	10,354	10,542	10,730	10,918	11,106
33	9,321	9,515	9,709	9,902	10,096	10,290	10,484	10,678	10,872	11,066	11,260	11,453
34	9,603	9,803	10,003	10,203	10,402	10,602	10,802	11,002	11,201	11,401	11,601	11,801
35	9,886	10,091	10,297	10,503	10,708	10,914	11,119	11,325	11,531	11,736	11,942	12,148
36	10,168	10,380	10,591	10,803	11,014	11,226	11,437	11,649	11,860	12,072	12,283	12,495
37	10,451	10,668	10,885	11,103	11,320	11,538	11,755	11,972	12,190	12,407	12,624	12,842
38	10,733	10,956	11,180	11,403	11,626	11,849	12,073	12,296	12,519	12,742	12,966	13,189
39	11,016	11,245	11,474	11,703	11,932	12,161	12,390	12,619	12,849	13,078	13,307	13,536
40	11,298	11,533	11,768	12,003	12,238	12,473	12,708	12,943	13,178	13,413	13,648	13,883
41	11,722	11,966	12,209	12,453	12,697	12,941	13,185	13,428	13,672	13,916	14,160	14,404
42	12,145	12,398	12,651	12,903	13,156	13,408	13,661	13,914	14,166	14,419	14,672	14,924
43	12,569	12,830	13,092	13,353	13,615	13,876	14,138	14,399	14,661	14,922	14,183	15,445

RURAL CARRIER HEAVY DUTY SCHEDULE CONTINUED

HOURS	STEP 1	2	3	4	5	6	7	8	9	10	11	12
44	12,993	13,263	13,533	13,803	14,074	14,344	14,614	14,884	15,155	15,425	15,695	15,965
45	13,416	13,695	13,975	14,254	14,533	14,812	15,091	15,370	15,649	15,928	16,207	16,486
46	13,840	14,128	14,416	14,704	14,992	15,279	15,567	15,855	16,143	16,431	16,719	17,007
47	14,264	14,560	14,857	15,154	15,451	15,747	16,044	16,341	16,637	16,934	17,231	17,527
48	14,687	14,993	15,298	15,604	15,909	16,215	16,520	16,826	17,131	17,437	17,742	18,048

SUB. RURAL CARRIER - 5 DAY HEAVY DUTY SCHEDULE EFFECTIVE JULY 21, 1975

HOURS	STEP 1	2	3	4	5	6	7	8	9	10	11	12
40	45.01	45.95	46.88	47.82	48.76	49.69	50.63	51.57	52.50	53.44	54.37	55.31
41	46.70	47.67	48.64	49.61	50.59	51.56	52.53	53.50	54.47	55.44	56.41	57.39
42	48.39	49.39	50.40	51.41	52.41	53.42	54.43	55.43	56.44	57.45	58.45	59.46
43	50.08	51.12	52.16	53.20	54.24	55.28	56.33	57.37	58.41	59.45	60.49	61.53
44	51.76	52.84	53.92	54.99	56.07	57.15	58.22	59.30	60.38	61.45	62.53	63.61
45	53.45	54.56	55.68	56.79	57.90	59.01	60.12	61.24	62.35	63.46	64.57	65.68
46	55.14	56.29	57.43	58.58	59.73	60.87	62.02	63.17	64.31	65.46	66.61	67.76
47	56.83	58.01	59.19	60.37	61.56	62.74	63.92	65.10	66.28	67.47	68.65	69.83
48	58.51	59.73	60.95	62.17	63.38	64.60	65.82	67.04	68.25	69.47	70.69	71.90

SUB. RURAL CARRIER - 5 1/2 DAY HEAVY DUTY SCHEDULE - EFFECTIVE JULY 21, 1975

HOURS	STEP 1	2	3	4	5	6	7	8	9	10	11	12
44	46.91	47.88	48.86	49.83	50.81	51.78	52.76	53.73	54.71	55.69	56.66	57.64
45	48.43	49.44	50.45	51.46	52.47	53.47	54.48	55.49	56.49	57.50	58.51	59.52
46	49.96	51.00	52.04	53.08	54.12	55.16	56.20	57.24	58.28	59.32	60.36	61.40
47	51.49	52.56	53.64	54.71	55.78	56.85	57.92	58.99	60.06	61.13	62.21	63.27
48	53.02	54.13	55.23	56.33	57.43	58.54	59.64	60.74	61.84	62.95	64.05	65.16

SUB. RURAL CARRIER - 6 DAY HEAVY DUTY SCHEDULE - EFFECTIVE JULY 21, 1975

HOURS	STEP	1	2	3	4	5	6	7	8	9	10	11	12
25	23.30	23.79	24.27	24.76	25.24	25.73	26.21	26.70	27.18	27.67	28.15	28.64	
26	24.24	24.74	25.24	25.75	26.25	26.76	27.26	27.77	28.27	28.77	29.28	29.78	
27	25.17	25.69	26.21	26.74	27.26	27.79	28.31	28.83	29.36	29.88	30.40	30.93	
28	26.10	26.64	27.19	27.73	28.27	28.82	29.36	29.90	30.45	30.99	31.53	32.07	
29	27.03	27.59	28.16	28.72	29.28	29.84	30.41	30.97	31.53	32.09	32.66	33.22	
30	27.97	28.55	29.13	29.71	30.29	30.87	31.46	32.04	32.62	33.20	33.78	34.36	
31	28.90	29.50	30.10	30.70	31.30	31.90	32.50	33.11	33.71	34.31	34.91	35.51	
32	29.83	30.45	31.07	31.69	32.31	32.93	33.55	34.17	34.79	35.41	36.03	36.65	
33	30.76	31.40	32.04	32.68	33.32	33.96	34.60	35.24	35.88	36.52	37.16	37.80	
34	31.69	32.35	33.01	33.67	34.33	34.99	35.65	36.31	36.97	37.63	38.29	38.95	
35	32.63	33.30	33.98	34.66	35.34	36.02	36.70	37.38	38.06	38.73	39.41	40.09	
36	33.56	34.26	34.95	35.65	36.35	37.05	37.75	38.45	39.14	39.84	40.54	41.24	
37	34.49	35.21	35.92	36.64	37.36	38.08	38.80	39.51	40.23	40.95	41.66	42.38	
38	35.42	36.16	36.90	37.63	38.37	39.11	39.84	40.58	41.32	42.05	42.79	43.53	
39	36.36	37.11	37.87	38.62	39.38	40.14	40.89	41.65	42.41	43.16	43.92	44.67	
40	37.29	38.06	38.84	39.61	40.39	41.17	41.94	42.72	43.49	44.27	45.04	45.82	
41	38.69	39.49	40.29	41.10	41.90	42.71	43.51	44.32	45.12	45.93	46.73	47.54	

SUB. RURAL CARRIER - 6 DAY HEAVY DUTY SCHEDULE CONTINUED

HOURS	STEP 1	2	3	4	5	6	7	8	9	10	11	12
42	40.08	40.92	41.75	42.58	43.42	44.25	45.09	45.92	46.75	47.59	48.42	49.25
43	41.48	42.34	43.21	44.07	44.93	45.80	46.66	47.52	48.39	49.25	50.11	50.97
44	42.88	43.77	44.66	45.55	46.45	47.34	48.23	49.12	50.02	50.91	51.80	52.69
45	44.28	45.20	46.12	47.04	47.96	48.88	49.81	50.73	51.65	52.57	53.49	54.41
46	45.68	46.63	47.58	48.53	49.48	50.43	51.38	52.33	53.28	54.23	55.18	56.13
47	47.08	48.05	49.03	50.01	50.99	51.97	52.95	53.93	54.91	55.89	56.87	57.84
48	48.47	49.48	50.49	51.50	52.50	53.51	54.52	55.53	56.54	57.55	58.55	59.56

PMS SCHEDULE

Effective January 3, 1976

PMS Grade	Steps	1	2	3	4	5	6	7	8	Increment
1		10,581	10,924	11,267	11,610	11,953	12,296	12,639	12,982	343
2		10,606	10,950	11,294	11,638	11,982	12,326	12,670	13,014	344
3		10,655	11,001	11,347	11,693	12,039	12,385	12,731	13,077	346
4		10,730	11,080	11,430	11,780	12,130	12,480	12,830	13,180	350
5		10,830	11,185	11,540	11,895	12,250	12,605	12,960	13,315	355
6		10,958	11,320	11,682	12,044	12,406	12,768	13,130	13,492	362
7		11,115	11,485	11,855	12,225	12,595	12,965	13,335	13,705	370
8		11,303	11,683	12,063	12,443	12,823	13,203	13,583	13,963	380
9		11,524	11,917	12,310	12,703	13,096	13,489	13,882	14,275	393
10		11,780	12,187	12,594	13,001	13,408	13,815	14,222	14,629	407
11		12,076	12,500	12,924	13,348	13,772	14,196	14,620	15,044	424
12		12,465	12,900	13,335	13,770	14,205	14,640	15,075	15,510	435
13		12,878	13,333	13,788	14,243	14,698	15,153	15,608	16,063	455
14		13,383	13,860	14,337	14,814	15,291	15,768	16,245	16,722	477
15		13,934	14,439	14,944	15,449	15,954	16,459	16,964	17,469	505
16		14,547	15,085	15,623	16,161	16,699	17,237	17,775	18,313	538

PES SCHEDULE
Effective January 3, 1976

<u>PES GRADE</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>
17	\$14,726	\$17,129	\$19,532
18	15,082	17,879	20,676
19	15,542	18,755	21,967
20	16,153	19,793	23,432
21	16,908	21,003	25,098
22	18,242	22,619	26,995
23	19,763	24,459	29,155
24	21,500	25,821	30,141
25	23,488	28,160	32,831
26	25,767	30,840	35,913
27	28,386	33,922	39,458
28	29,800	35,000	40,200
29	31,350	36,775	42,200
30	32,800	38,550	44,300
31	34,400	40,400	46,400
32	35,900	42,150	48,400
33	37,450	43,975	50,500
34	39,000	45,800	52,600
35	40,450	47,550	54,650
36	42,000	49,350	56,700
37	43,500	50,350	57,200
38	45,000	51,400	57,800
39	46,500	52,425	58,350
40	48,000	53,450	58,900
41	49,500	54,475	59,450
42	60,000	60,000	60,000

Mr. ARMSTRONG. I would be grateful if you would.

Mr. DORSEY. The bulk of our employees fall into salary levels PS-4 and PS-5. PS-4's are mail handlers and PS-5's are clerks and carriers. The salary range for PS-4's, including cost of living allowance is from \$10,912 to \$13,310. A postal employee can achieve the top of a salary range in 8 years from the time he entered the Postal Service.

For a PS-5 clerk or carrier the salary including cost of living allowance ranges from \$11,444 to \$14,029. Average salary in the Postal Service is \$15,206 a year. When the fringe benefits are added, the total cost per man-year is \$16,436.

AVERAGE CRAFT EMPLOYEE PAY BEFORE REORGANIZATION

Mr. ARMSTRONG. Could you tell us what the comparable figures were in the year prior to postal reorganization?

Mr. DORSEY. They were considerably lower than that. I think we have them.

Mr. ARMSTRONG. The figures you have just given us are calendar 1975 or this moment?

Mr. DORSEY. They are as of this moment, the cost per man year.

Let us go back to 1968. The average in that year was \$7,624.

Mr. ARMSTRONG. How much?

Mr. DORSEY. \$7,624.

Mr. ARMSTRONG. That was in 1968?

Mr. DORSEY. Yes.

In the last fiscal year of the Post Office Department, the average was \$10,187. The Postal Reorganization Act was effective on July 1, 1971.

CONSUMER PRICE INDEX EFFECT ON PAY

Mr. ARMSTRONG. Now, with reference to the contract settlement that has just been signed, I find myself wondering whether or not that really is such a favorable settlement. Assuming that the present scale is just, then 4 percent plus cost of living would be around 12 percent, would it not?

Mr. BAILAR. No; we think it is going to run somewhere in the order of 7 percent to 8 percent. The cost of living has a formula that is calculated as compared to the Consumer Price Index. If the CPI goes up at a rate of, I think it is 6 percent a year, we estimate that the wage package, the fixed costs plus the amount that falls out of the cost-of-living formula, will total 21.5 over three years, 7.2 percent a year average over a three-year contract.

Mr. ARMSTRONG. Based on a 6 percent cost-of-living increase?

Mr. CONWAY. Six percent Consumer Price Index, 6 percent in the first year and 5 percent in the second and third.

Mr. ARMSTRONG. I find it hard to deal seriously with the projection for the year after next of the 5 percent increase in the cost of living, so could we just zero in on the current year.

How does that formula work? If the CPI goes up 6 percent, how is that cranked into the increase in postal service?

Mr. CONWAY. Our formula is for each .4 that the CPI goes up there is a one-cent increase in the hourly rate.

For example, the adjustment based on the September 30, CPI was seven cents for an increment of \$146 a year because we are using the June 1975 base. To carry it on through December, and the annual rate as you probably recall was about 7 percent, we would be at 14 cents an hour or about \$296.

Mr. ARMSTRONG. So very, very roughly then you are saying that a 6 percent increase in cost of living, in the CPI, would translate itself into about a 2½ percent increase in salary, \$296 on the \$13,000 average.

Mr. BAILAR. It is not a dollar-for-dollar increase.

Mr. CONWAY. No.

The CPI index in June 1975 was 160.6 and at the end of the year it was 166.3. So the percentage doesn't follow precisely the CPI rise.

Mr. ARMSTRONG. Then just to put it in perspective, a 6 percent increase in the cost-of-living indicator would indicate something less than a 3 percent increase in base salary to which will be added the 4 percent increase that has been negotiated?

Mr. BAILAR. Right.

COMPARISON OF USPS AND UPS SALARIES

Mr. ARMSTRONG. May I ask how do the present salaries of PS-4s and -5s compare with comparable jobs at UPS?

Mr. BAILAR. UPS does not have a national scale. It is my understanding that they have some isolated locations that are more and some that are less.

Mr. CONWAY. I am not familiar with all of them but the New York area, for example, would be higher, just to pick one example. UPS would be higher.

Mr. ARMSTRONG. Well, why doesn't UPS have a national scale?

Mr. BAILAR. They don't have national unions I think is a part of it. They don't have the precedent of all postal employees being Civil Service and being part of a national scale, which is the precedent in the Postal Service.

Mr. ARMSTRONG. Is it just to pay all Postal Service employees the same amount whether they live and work in Chadron, Nebraska, or Manhattan?

In other words, does \$13,400, the present average, buy about the same things in Chadron, Nebraska, as it does in Manhattan?

Mr. BAILAR. No; it doesn't. It buys a great deal more. I don't know what the number would be. It clearly buys a great deal more.

On the other hand, that employee in Nebraska performs the same job as the employee in New York, and if we were to pay him less, first off, you have unending debates on what is the right amount, what is the right differential.

Mr. ARMSTRONG. But clearly some differential would be just, would it not?

Mr. BAILAR. Some differential would be appropriate based on the cost of living. You get in a lot of philosophical discussions of whether the Federal Government ought to be paying less in less costly areas of the country. We could pay postal workers in Denver less than New York and make a pretty good case that it is just, and I think, Mr. Armstrong, you would hear about it pretty quickly.

Mr. ARMSTRONG. Well, I am just trying to search for some solution. You have virtually predicted the collapse of the Postal Service in your prepared statement and I am trying to see if there is any way to save it. It appears to me that it would be most helpful to compare what you are doing with UPS and I would be grateful if you would supply for the record a detailed comparison, if it is possible, of how your pay scales compare with UPS.

I am not surprised that they don't have national scale and it may be we could learn something from what they are doing.

Mr. STEED. If the gentleman would yield, I think right in this direction, although it has nothing to do with the merit of your point, it is important to keep in mind that of the work force that is involved in these 31,000 post offices, I believe the last figure I saw was that 74 percent of the employees are in 300 large metropolitan centers or the high-cost centers.

So if there is an inequity or overpayment of a worker it would be in that 25 or 26 percent of their work force that is scattered out through the smaller communities of the country, so keeping that in mind the differential isn't quite as bad as it might appear at first glance.

Mr. ARMSTRONG. To follow up what the Chairman said, could you tell us what the national average then is for UPS for comparable jobs as compared to the national average for the Postal Service.

Mr. BAILAR. I am not sure we can get it. If we can get it we will put it in the record. I don't have it offhand.

Mr. CONWAY. We can take a crack at it. We don't have it right off.

[The information referred to follows:]

Comparison of Pay Rates Between the
Postal Service and United Parcel Service

An analysis of Package-Driver rates for 10 UPS agreements shows that the progression time from starting rate to top rate varies from 60 days in the Northern California contract to 210 days in the New York City contract. The full breakdown on progression time is as follows:

Northern California	60 days
Chicago, Illinois	90 days
New England; Atlantic Area; Central Pennsylvania; Central Conference (Ohio Rider) . . . . .	.120 days
Western Pennsylvania . . . . .	.165 days
Upstate New York; Southern California . . . . .	.180 days
New York City, NY . . . . .	.210 days

See Attachment for details on the wage rates paid to Package-Drivers under the various progression schedules of the 10 individual contracts.

The Postal Service's starting rate of \$5.50 per hour for a PS-5 craft employee is below the starting rate for Package-Drivers in 7 of these 10 United Parcel Service contracts and the maximum step 12 rate of \$6.74 per hour for a PS-5 craft employees is below the top rate for a Package-Driver in all 10 of these UPS contracts. It should be noted, at this point, that whereas it takes a postal craft employee 8 years to reach the maximum rate, the UPS employees achieve their top rate in 7 months or less.

If the average rate of \$6.54 for postal PS-5 craft employees were compared with the average Package-Driver hourly rate in the 10 United Parcel Service contracts, we would in essence be comparing our average rate with the UPS' top rate since all of their employees with 7 months or more of service would be at the top rate.

Comparison of Straight-Time Rates (Including COLA)
For Package--Drivers in 10 United Parcel Service Contracts
With Those of PS--5 Craft Employees in the Postal Service,
February, 1976

(Straight-Time Rates Including COLA)

	Starting Rate	After 30 Days	After 60 Days	After 75 Days	After 90 Days	After 120 Days	After 150 Days	After 165 Days	After 180 Days	After 210 Days
New York City, NY	\$5.263	\$5.606	\$5.95	\$6.293	\$6.637	\$6.98				
Northern California	7.105	7.255	\$7.405							
New England	5.58	5.88	6.28	\$6.68	7.08					
Atlantic Area	5.38	6.08	6.42	6.76	7.11					
Upstate New York	5.64	5.89	6.14	6.39	6.64	\$6.89			\$7.14	
Western Pennsylvania	5.40	6.09		6.43	6.78			7.12		
Central Pennsylvania	5.67	6.27	6.62	6.97	7.22					
Chicago, Illinois	6.645			7.145						
Central Conference (Ohio Rider)	6.21	6.46	6.71	6.96	7.21					
Southern California	5.895	6.045							7.97	

Postal Service Minimum Rate \$5.50 Average Rate Full-time employees \$6.54 Maximum Rate \$6.74
(Equal to average step of 10.2 in 12 step progression)

HIGHLIGHTS OF LATEST BARGAINING AGREEMENT

Mr. ARMSTRONG. I think that would be interesting just to give us some kind of basis of comparison. I think it would also be helpful to know more about the conditions of the recent contract settlement.

Is that a lengthy document?

Mr. BAILAR. We have a highlight sheet, Mr. Armstrong., which is two or three pages long.

Mr. ARMSTRONG. If it would be appropriate to insert the highlights, I think that would be helpful.

Mr. BAILAR. Fine.

Mr. ARMSTRONG. And if it is available, I think it would be helpful to couple that with relevant comparisons with corresponding private sector employers.

Mr. BAILAR. Okay.

[The information referred to follows:]

HIGHLIGHTS
OF
1975 NATIONAL AGREEMENT

The 1975 National Agreement is a three-year agreement extending from July 21, 1975 thru July 20, 1978. The Agreement provides for general wage increases of \$1,500 spread over the life of the Agreement. The initial increase was \$400 effective July 21, 1975 and this is to be followed by a \$250 per annum increase effective March 21, 1976; a \$250 per annum increase effective November 21, 1976; and finally a \$600 per annum increase effective July 21, 1977.

The \$1,310 COLA which was paid under the 1973 National Agreement was rolled into base salary. In addition, the Agreement provides for a cost of living allowance of 1¢ for each .4 increase in the CPI (1967 = 100) using June 1975 as the base. Under the terms of the Agreement the first COLA increase was effective November 8, 1975 and any subsequent increases will be effective every 6 months thereafter.

The Agreement also provides that the health benefits contribution of the Postal Service will be increased from 65% to 75% effective July 21, 1975, and the uniform allowance for postal employees was increased approximately 10% effective July 21, 1975. The 1975 National Agreement continued the Postal Service's obligation of assuming the full cost of standard life insurance coverage. Also, the Postal Service's 7% contribution to the Civil Service Retirement Fund remains the same.

Perhaps the most meaningful comparison of the Postal Service wage and benefit package is reflected by information developed by the Bureau of Labor Statistics. The Bureau of Labor Statistics recently published the results of bargaining in 1975 indicating the amount of increase in wages and benefits for establishments of 5,000 or more workers. This information is as follows:

- a. First year increases, excluding cost of living adjustments were 11.2% for all industries and 13.7% for contracts with escalator clauses. The Postal Service settlement was 6.1% for the first year approximately 1/2 of the private sector increases.
- b. The annual rate of change over the life of the contracts was 8% for all industries and 7.5% for contracts with escalators. This compares to 4.2% for the Postal Service.

The increase in total compensation and benefits incurred as a result of the 1975 National Agreement is estimated at approximately .6 of 1% per month. In contrast, recent settlements in major industries have been in excess of 1% per month.

Comparison of Gross Earnings Per Paid
Hour for Postal Service Bargaining
Unit Employees with those of Selected
Private Industries, October 1975

<u>Industry</u>	<u>Type of Workers</u>	<u>Gross Earnings Per Paid Hour</u>
Banking	Non-supervisory	\$3.55
Insurance	Non-supervisory	4.37
Paper and Allied Products	Production	5.15
Telephone Communications	Non-supervisory	6.11
Electric Utilities	Non-supervisory	6.25
Metal Cans	Production	6.62
<u>Postal Service</u>	<u>Bargaining Unit</u>	<u>6.67</u>
Autos	Production	7.09
Breweries	Production	7.21
Basic Steel	Production	7.36

Source: Data for the selected private industries are from the Bureau of Labor Statistics' Employment and Earnings series, December 1975.

NO-LAYOFF PROVISION

Mr. ARMSTRONG. The reason I raise this point is that I am under the impression that the contract which has been negotiated with the Postal Service provides, among other things, that nobody can ever be laid off.

Is that true?

Mr. BAILAR. That is correct.

Mr. ARMSTRONG. Do you know of any private company that has such a contract?

Mr. BAILAR. Offhand, I can't think of any. I know some private companies that have a policy along those lines. IBM is the classic case. They have historically operated their company on what they call full employment policy.

Mr. ARMSTRONG. Does the 16.8 percent fringe benefit figure include retirement?

Mr. BAILAR. It would include, I think, our share of retirement, the 7 percent.

Mr. ARMSTRONG. Would comparisons that you are able to give us include corresponding private sector comparisons?

Mr. BAILAR. We will try and make them accurate comparisons. I would just add, Mr. Armstrong, as I am sure you are well aware, that the implementation of regional salary differentials in Civil Service employees would have a strong bearing on the acceptability of that sort of thing in postal employment. I think a lot of postal employees view their situation at least analogous to Civil Service and it would be very difficult for their union leaders or postal management to be a party to an agreement that some of them felt didn't continue some parallels of Civil Service practice.

Mr. ARMSTRONG. I am certain you are right about that, but it appears to me that the difficulties faced by the Postal Service are so severe that there are probably going to have to be a lot of us, in the Postal Service, and in labor organizations, and in Congress, who are going to have to accommodate themselves to some ideas that were almost unthinkable a few years ago.

If what you say in your statement is correct, we are literally going to have to choose between some brand new ideas or a level of subsidies that I can't imagine Congress is going to support.

Just looking down the road 10 or 20 years you are talking about enormous subsidies, far higher subsidies than we can afford.

Mr. BAILAR. Yes, sir.

You put the problem very well.

Mr. ARMSTRONG. I think that the leadership of the labor organizations, and the mail users, and the boxholders, and everybody will be more realistic if the problem is laid out for them.

Mr. Chairman, the only other thing that I would like to go into at this time is just a statistical question and perhaps that is contained in this report.

VOLUME AND EXPENSE BY CLASS OF MAIL

Do you have in the information submitted to us the percentage of volume and expense of the Postal Service accounted for by different classifications?

Mr. BAILAR. We have it. I think the volume by class is in here. I don't know whether attributable expense by class is in here or not.

Mr. GOULD. No.

Mr. ARMSTRONG. Let me review the information that is in here and I may contact you later for that. I have not had a chance to review your statement at the table.

Thank you, Mr. Chairman.

Mr. STEED. Mr. Long.

AREA WAGE DIFFERENTIALS

Mr. LONG. This business of paying everybody the same rate all over the country regardless of the standard of living in each locale is something that the average taxpayer ought to have some say about.

Why should a person living in a small town in the Middle West pay taxes in order to maintain a postal worker at a salary which is far above what the taxpayer is making for comparable work and far above what, in any bargaining situation, would be paid if there weren't a powerful union there?

Isn't it true that in many small communities the postal worker is making more than bank presidents and superintendents of schools?

Mr. BAILAR. Well, I am certain, Dr. Long, that there are cases where that situation exists.

Mr. LONG. I would like to see you provide for the record pay that postal workers get in small communities compared to salaries received by people of considerable importance in those communities, like judges and so on.

Mr. BAILAR. I would like to make a couple of points, Dr. Long.

First off, and this is a very weak defense of the present system, but its strongest support is the fact that Federal workers have always been paid on a nationwide scale, at least always in my knowledge.

Mr. LONG. I don't pay on a nationwide scale. I pay smaller salaries to my staff in my district office than I do in Washington. I feel that I have an obligation not to waste the taxpayers' money because the cost of living is lower in my district than in Washington.

Mr. BAILAR. When I first graduated from college I was in the Navy and I was stationed for a short while in Athens, Georgia, and the Civil Service secretaries on that naval installation were the highest paid secretaries in that whole part of the State. Everybody in town knew that the girls out at the naval school were making 50 percent more. That doesn't make it right. I am not proposing it for that reason, but I think it is a fact of life that we ought to recognize exists.

INCREASES IN POSTAL SALARIES

Mr. LONG. Let me raise this point.

Reading your statement I got the impression that the salaries of postal workers have gone up much more, relatively, than they did when the Postal Service was under Congress. Is that true?

Mr. BAILAR. Yes, sir.

Mr. LONG. Why?

Mr. BAILAR. I think I can answer your question but I disagree with the suggestion it is a matter of management not standing up to the unions.

Mr. LONG. You made the agreements, didn't you, or was it Congress that did it?

Mr. BAILAR. The first and largest increase was negotiated with the Congress as a condition for settling the postal strike in New York, and supporting postal reform, and it was a large package. I was not here at the time.

Maybe Mr. Dorsey can answer.

Mr. DORSEY. It was 14 percent altogether, Dr. Long, 6 and 8 percent, respectively.

Mr. LONG. I can't hear you.

Mr. DORSEY. There were two raises connected with the Postal Reorganization Act. One of them was 8 percent retroactive to April 16, 1970.

Mr. LONG. Is this Congress' fault?

Mr. DORSEY. Congress enacted Public Law 91-231 and Public Law 91-375 which provided for a cumulative increase of 14 percent immediately prior to the effective date of this Act.

Mr. BAILAR. The increases, the labor contracts that were signed in 1971, 1973, and 1975 were negotiated by and totally the responsibility of management. Speaking about the 1975 contract, which is the one that I was personally responsible for and the one I signed, I feel very strongly that a case can be made that it was a reasonable settlement in the context of other nationally negotiated contracts, that we did well.

Business Week characterized it as the cheapest major labor contract negotiated in 1975, and I would like to supply you either privately or for the record—

Mr. LONG. You are not shutting your eyes to all the previous increases? Do you think you should take an increase on the basis of the year in which it occurred and not look at it in the context of all other increases?

After all, it is clear that the postal worker is getting a much higher pay rate than people in comparable work, except maybe in New York City.

Mr. BAILAR. Well, New York City, and Baltimore, and Chicago, and Los Angeles, and a lot of other places, a lot of major metropolitan areas in this country, Dr. Long, and I would like to—

Mr. LONG. Baltimore is a much cheaper city to live in than New York. I could not justify giving people salaries in Baltimore because of the cost of living in New York.

Mr. BAILAR. Well, the wage level for postal employees intended to meet—

Mr. LONG. The highest level.

BINDING ARBITRATION IN LABOR DISPUTES

Mr. BAILAR. No, it is not intended to meet the highest and bring everybody else up to that level, but I would point out to you that one of the provisions of the Postal Reorganization Act that deals with the labor negotiations indicates that if we do not negotiate an

agreement with the unions the matter would be subject to binding arbitration by a panel of arbitrators, one picked by the management, one by the unions, and a third one—

Mr. LONG. Is this Congress' fault? Did they set that binding arbitration?

Mr. BAILAR. It is in the law and I think it an appropriate phase of the law. It is one of the escape clauses to hopefully deal with an impasse in some way other than having a postal strike, and so when we negotiate a settlement with the unions we do it in light of what an arbitrator probably would impose on us if we did not agree to something, and I am sure the same forces were felt by the union.

MANAGEMENT ATTITUDES TOWARD POSTAL STRIKES

Mr. LONG. You are afraid of a strike basically; is that it?

Mr. BAILAR. Yes, sir; I am very much concerned about a postal strike. I think it would be a very, very unfortunate thing for this country.

Now, the law prohibits a postal strike and I recognize that but notwithstanding that we have had postal strikes in this country and I don't want to have another one.

Mr. LONG. I think this attitude is a Caspar Milquetoast philosophy and I think Congress is responsible for it. Every time we get pressured by some union group we cave in.

I have been a good friend of unions. I have a pretty good record of support for them, but I tell them quite frankly I am not going to go along with this rule of force. We have an obligation to the taxpayer, too.

Mr. BAILAR. We sure do, and I would point out to you that we have settled on wage increases for postal supervisors and Postmasters that those organizations say are inadequate and we are being challenged in court on those.

Mr. LONG. There will come a time when they won't say it is adequate; isn't that true?

Mr. BAILAR. I don't think you are fair in characterizing the management as giving in to postal organizations when, in fact, we are in court with the three major management organizations over this issue and I think we have taken a pretty strong stand.

I don't have any misgivings. The point is we are taking a strong stand.

Mr. LONG. Somewhere along you have to make a stand.

Mr. BAILAR. We are doing it.

Mr. ARMSTRONG. Would the gentleman yield?

Mr. LONG. Yes.

ACTIONS TAKEN AGAINST STRIKING EMPLOYEES

Mr. ARMSTRONG. I just wanted to ask what action ensues an illegal postal strike? What happens to postal workers who participate in an illegal strike?

Mr. BAILAR. As a practical matter, or as a legal matter? Legally they are discharged from their jobs. Am I correct, Counsel?

Mr. COX. Yes, and there is provision in the Criminal Code. I don't remember offhand what the penalties are, but there are fines and imprisonment penalties stipulated in it.

Mr. ARMSTRONG. Does the law prohibit them from continuing in the Postal Service?

Mr. COX. My recollection is that it does.

Mr. LONG. Why can't we just fire them? Why pass these laws if we don't carry them out?

Mr. BAILAR. Well, we had a postal strike in 1970 in New York, which reached into other areas. To the best of my knowledge there were no postal employees disciplined or fired as a result of that.

Mr. COX. That is correct.

Mr. ARMSTRONG. If you would yield further for just one more question.

Mr. LONG. Be glad to.

CITIZEN SUITS AGAINST STRIKERS

Mr. ARMSTRONG. What would happen if citizen suits were brought to enforce that law? Does the law contemplate such a thing? I think there would be a good many citizens who would be shocked to find out that after an illegal strike affecting a vital public service there wasn't anybody disciplined.

Mr. COX. Mr. Armstrong, as I think you probably appreciate, the development of the law on the question of standing to bring a suit and that kind of thing has been rapid and expansive in the last few years, but my suspicion is, nevertheless, that the court would probably say that a citizen would not have standing to bring a suit of that kind.

Mr. ARMSTRONG. So if the management did not choose to discipline them no one else could bring a suit to do so?

Mr. COX. I doubt the court would entertain a suit on that. This is a very foggy area of the current law and I wouldn't want you to take my word as gospel.

Mr. LONG. Can you folks do it?

Mr. BAILAR. Yes.

Mr. LONG. Why don't you?

Mr. BAILAR. Without meaning to avoid your question, I wasn't even working for the Postal Service and I never even met Red Blount.

Mr. LONG. People change so damn fast we can't hold anybody responsible I suppose.

Mr. BAILAR. It was a problem that should have been brought up six years ago.

With all due respect, I think if Members of Congress felt the postal management was not doing their job in 1970 they should have said so in 1970. Saying it in 1976 doesn't help us a great deal.

I understand the things that concern you and I agree with them.

Mr. LONG. I am not blaming you folks as much as I am blaming Congress. I think we are the real malefactors.

Let me go on.

PUBLIC SERVICE COSTS STUDY GROUP

How long do you envision it would take your proposed study group to come up with solutions?

Mr. BAILAR. I think 18 months, 24 months, ought to be adequate.

Mr. LONG. Would it be expensive?

Mr. BAILAR. I wouldn't think it would need staff of more than half a dozen people.

Mr. LONG. Do you need it? Don't you know basically what the problems are? Do you need to turn it over to a study group, except to say we have somebody studying it so we don't have to do anything about it for a while?

Mr. BAILAR. Mr. Long, I think the big issue here is the difficulty of defining what is public service. We can set out what the cost of the various functions are pretty quickly. I think the problem would come in saying, well, is it 5,000 of the small offices that are uneconomic public services or is it 20,000? Can the necessary function of the Postal Service be performed two days a week or does it take three or five? There are some pretty heavy—

Mr. LONG. You have gathered some pretty smart people in your own group who could come up with recommendations in a very short while.

Mr. BAILAR. Yes, sir, we did.

Mr. LONG. I would hope you would do that. You can have your study group but don't use your study group as a device for postponing coming to grips with the problem. We have too many study groups going on. Nobody pays much attention to them when the reports come in.

Who would you put on the study group?

Mr. BAILAR. My understanding is that the legislation which has been introduced provides for one person to be appointed by the Speaker, one by the President pro tempore of the Senate, one by the Postmaster General, and two by the President. There has been legislation in the House sponsored by Chairman Henderson, and Senator McGee's bill is similar but I don't think it is quite as explicit although maybe it is.

Mr. COX. It covers that part of it the same way.

ATTRITION RATE AMONG POSTAL WORKERS

Mr. LONG. What is the attrition rate among postal workers this year as compared to six years ago? What I want to get at is the fact that you have a no-layoff policy, but to what extent do retirements and voluntary separations take care of the problem of reducing the number of people as you improve your efficiency with machinery and so on?

Mr. BAILAR. I will ask Mr. Conway to answer your question with some specifics, Dr. Long.

I would mention to you first, though, that the attrition is considerably lower than it was some years ago, I think for two or three reasons.

One is the economic circumstances. People aren't quitting jobs like they did.

Mr. LONG. Sure. Why should they give up these very cushy jobs?

Mr. BAILAR. They are very good.

Mr. LONG. Why would anybody ever quit them? That in itself is a pretty good indication of the fact that there is overpayment.

Mr. BAILAR. There are some other issues involved here. One of the issues is that postal employees now, I think, have better career opportunities with promotional avenues that are open to them than they did and I hope it is more attractive employment to them.

Mr. Conway can give you some specifics on attrition, please.

Mr. CONWAY. Yes.

The current potential attrition rate is on the order of 8, 8½ percent. That includes people who retire, die, who are dismissed, and who quit. This is down considerably. I don't have an exact figure, say, 5 or 6 six years ago, but it must have been 2 or 3 times that, I would estimate.

We are talking here about regular people and not temporaries.

Mr. BAILAR. Can we supply that for the record.

[The information follows:]

RATE OF EMPLOYEE SEPARATION		
Year		Percent
Fiscal year 1971.....		15.4
Fiscal year 1972.....		13.2
Fiscal year 1973.....		13.6
Fiscal year 1974.....		19.3
Fiscal year 1975.....		7.3
Fiscal year 1976.....		*7.3
Fiscal year 1977.....		*7.9

* Estimated

REASSIGNMENT OF EMPLOYEES

Mr. LONG. Even so, does this enable you to reduce your staffs?

Mr. BAILAR. Yes, it does and it is an opportunity that we are using albeit with some controversy. Our labor contract, in the absence of the ability to lay off unneeded employees, has some compensating clauses, one of which allows us to reassign employees from one location to another or even from one craft to another if the requirement exists. We have recently moved about 50 excess people out of Birmingham and we are locating them elsewhere.

We have moved some of those employees to Memphis.

HIRING FREEZE

Mr. LONG. Do you have a freeze on hiring?

Mr. BAILAR. Not a national freeze but we have some very tight controls on hiring and as a practical matter there is very little hiring in the Postal Service now.

Mr. LONG. Very little hiring?

Mr. BAILAR. Yes, sir.

Mr. LONG. And this is basically the result of your no-layoff policy?

Mr. BAILAR. Well, it is the result of the fact that volume is down and we just don't need those people and when we do need to do some hiring we try to transfer them in from other facilities where they are excess.

Mr. LONG. The time is short and I don't want to go on too long.

SHORTAGE OF THREE-CENT STAMPS

We had a terrific tie-up recently in our Post Office where I have my district office. The rate increase occurred right in the middle of the Christmas and New Year rush. People were lined up in the lobby and out on the street because they couldn't get three-cent stamps and thirteen-cent stamps.

Wasn't there a better time for those increases so that they wouldn't coincide with the seasonal rush on Christmas?

Mr. BAILAR. Well, I don't think there is ever a good time for it.

Mr. LONG. I am sure there are slower times than the Christmas rush.

Mr. BAILAR. There are slower times.

Our financial circumstances are so grave that I felt we had absolutely no option but to get the rate increase at the first possible day. We were losing something on the order of \$7 million a day. Legally, with the conclusion of the last rate case on the schedule we might have been able to pursue a course of action that would have led us to a rate increase about the 15th of December.

The Board of Governors discussed it and we concluded that because of the Christmas mailing volume and Christmas cards at least we ought to put it off until after Christmas. We planned on instituting it on the 28th, I think, and it finally went in on the 30th or 31st.

Mr. ELLINGTON. Dr. Long, one unanticipated problem that caused a lot of the tie-up was the fact that the courts had intervened in the process at that point and led millions of people to believe that the ten-cent stamp was going to be continued longer than it was.

In this condition of uncertainty, and there was a lot of publicity about it, literally millions of people went out and bought more ten-cent stamps than they would have if they had been able to predict that stamps were going to 13 cents on the date that we had previously set.

As a consequence they all came in afterward to buy up three-cent stamps all out of proportion to what it would have been if it had not been for the uncertainty created by this court condition.

REVERSE DISCRIMINATION

Mr. LONG. I hear a lot of complaints—maybe from ill-advised people—that the reason we have such bad postal service in Baltimore City is because of favoritism and reverse discrimination. Now I voted for every civil rights bill, but I'm opposed to any discrimination. Isn't there a reverse discrimination which is producing morale problems among a lot of people who feel that others are getting jobs and promotions not because of their qualifications but because of their color?

Mr. BAILAR. I know of the concern.

It is not limited to any one location in this country, Dr. Long. All I can tell you is that every time anybody makes a complaint about racial discrimination, reverse or otherwise, we investigate it thoroughly and act on it as our findings would indicate. I don't know what else we can do. I wouldn't do any less. I don't think we can go any further.

The Federal Government has historically been a place where minority groups have found employment opportunities open to them that were perhaps not open elsewhere. The Postal Service has a large portion of minority employees and they get promoted, unfortunately by their standards, not as often as they would like.

You will find the percentage of Postmasters in this country that are a minority is not equal to the percentage of the rank and file. The percentage of supervisors may be higher than Postmasters but still not equal to the rank and file, and our black employees say, "Look, we have 25 percent of the rank and file."

Mr. LONG. I appointed the first black Postmaster ever to be appointed in my congressional district over considerable local opposition, so I want you to know where I stand. I feel we ought to have equal opportunity but we make a grave mistake when we start pushing people because of their race. I don't care what color they are. I hope you don't do it.

Mr. BAILAR. No, sir.

LOCAL PROBLEMS WITH POSTAL SERVICE

Mr. LONG. It has been my observation, too, that the postal service is basically a local problem. I have sent out various questionnaires to different towns and I know in some towns the complaints were enormous. In other towns, people say the service is marvelous, no complaints at all. I am beginning to think it is not so much a national problem as a local problem. An awful lot of my complaints come out of the big cities—not in the smaller communities.

Mr. BAILAR. I think the service in Baltimore, as borne out by our statistical measure, is pretty good. I will be glad to have somebody visit with you if you like.

[The information follows:]

Percent (%) of first-class mail receiving overnight delivery in Baltimore, Md.

[At the end of each bi-weekly period]

Period ending	Percent	Period ending	Percent
Feb. 14, 1975.....	98	Aug. 15, 1975.....	97
Feb. 28, 1975.....	92	Aug. 29, 1975.....	97
Mar. 14, 1975.....	98	Sept. 12, 1975.....	98
Mar. 28, 1975.....	98	Sept. 26, 1975.....	97
Apr. 11, 1975.....	98	Oct. 10, 1975.....	97
Apr. 25, 1975.....	98	Oct. 24, 1975.....	98
May 9, 1975.....	99	Nov. 7, 1975.....	98
May 23, 1975.....	99	Nov. 21, 1975.....	99
June 6, 1975.....	97	Dec. 5, 1975.....	98
June 20, 1975.....	98	Dec. 19, 1975.....	96
July 4, 1975.....	97	Jan. 2, 1976.....	95
July 18, 1975.....	99	Jan. 16, 1976.....	99
Aug. 1, 1975.....	98	Jan. 30, 1976.....	96

Mr. LONG. I just pass that on for you to take a look at. That is all I have, Mr. Chairman, at this time.

NATIONAL BULK MAIL NETWORK

Mr. STEED. Could you give us a little information on the parcel post center program that you started, how far along are you and how is it working?

Mr. BAILAR. I would like to ask Mr. Dorsey to reply, Mr. Chairman.

Mr. DORSEY. Mr. Chairman, we have all 21 of the bulk mail facilities operating now. The last one was Los Angeles. It will probably be late spring or mid-summer before they will be fully operative in every sense of the word. It will probably take six months or a year to shake them down because they are very complicated and highly mechanized installations.

We just went through Christmas with 17 of them operating. We were very pleased with the results. We had very good results out of them in terms of moving the mail. We did have some problems in Dallas, for instance, where the volume far exceeded our wildest expectations.

We have had problems with certain kinds of packages, strangely enough. Books that are not properly prepared seem to burst open inside these facilities because they close them with paper tape rather than with heavy cloth tape.

We have had problems with films, with some cartons wrapped in straps. They get caught in mechanization. We have had difficulty with that.

All in all I would say we are pleased with the performance. We do face a declining parcel post volume. These facilities were built to handle a much larger volume than is currently available and, therefore, our rate of return on investment is not as great as we originally predicted it would be.

VIOLATION OF POSTAL LAWS

Mr. STEED. What is the kind of problem today in terms of pilfering, looting, and illegal shipping of narcotics and contraband and that type of general involvement do you get in the use of the mails as a matter of crime and law violation?

Mr. BAILAR. My sense of it from the reports I get from the Inspection Service is that it is not more aggravated than in recent years. I would like to give you some statistics that we can develop on the number of complaints of a certain type, but I don't think there has been any particular change.

Mr. STEED. A few years ago there was a rash of thefts of guns being shipped through the mail, but I think that you pretty well got on top of that problem.

Mr. BAILAR. We have a pretty vigorous Inspection Service and, of course, we have had to put more money into security forces in recent years than previously because depredations and vandalism on postal property have increased, unfortunately, as they have everywhere else, and I think the security force we have helps to keep the problems of stealing the mail to a minimum, but I will have to supply some statistics for the record, Mr. Chairman.

[The information follows:]

HIGHLIGHTS OF INSPECTION SERVICE
INVESTIGATIONS

During Fiscal Years 1974, 1975 and 1976 to date, the Postal Inspection Service has conducted 2,075 criminal investigations of mailings which contained articles and substances considered dangerous and potentially hazardous to postal customers and employees. Approximately forty percent (40%) of these investigations involved unlawful mailings of bomb and explosive devices and materials; another forty-five (45%) dealt with nonmailable revolvers, pistols and other weapons. The remaining fifteen percent (15%) concerned investigations of the mailing of miscellaneous materials, such as chemicals, inflammables and poisons.

The number of bomb and explosives incidents investigated in Fiscal Year 1974 totaled 297. In Fiscal Year 1975, 303 incidents were investigated--an increase of 2% over Fiscal Year 1974. During the first half of Fiscal Year 1976, 201 investigations were conducted.

Firearms and other weapons investigations in 1974 totaled 403. In Fiscal Year 1975, 344 investigations were conducted--a decrease of 17% over Fiscal Year 1974. There was a total of 218 investigations conducted during the first six months of Fiscal Year 1976.

Investigations involving chemicals, inflammables and poisons totaled 113 in 1974. In Fiscal Year 1975, 113 investigations were conducted--no change. There were 83 investigations conducted during the first half of Fiscal Year 1976.

Fiscal Year 1976 statistics indicate an increase of investigations in all areas dealing with dangerous and potentially hazardous mailings over investigations conducted during Fiscal Year 1975.

INVESTIGATIONS OF DANGEROUS POTENTIALLY HAZARDOUS
MATERIALS IN THE MAILSTREAM

<u>CATEGORY</u>	<u>FY 74</u>	<u>FY 75</u>	<u>FY 76</u>	<u>TOTALS</u>
Bombs & Explosives	297	303 (2% increase over FY 74)	201 (projected 32% increase over 75)	801
Firearms & Other Weapons	403	344 (17% decrease over 74)	218 (projected 27% increase over 75)	965
Chemicals, Poisons & Inflammables	113	113 (no change over 74)	83 (projected 47% increase over 75)	309
TOTALS	813	760	502	2,075

PERCENTILE OF TOTAL INVESTIGATIONS CONDUCTED

<u>Bombs & Explosives</u>	<u>Firearms & Other Weapons</u>	<u>Chemicals, Poisons & Inflammables</u>
38.6%	46.5%	14.9%

TRAINING TO MEET INCREASING MECHANIZATION

Mr. STEED. The mechanization program that you have under way automatically creates new types of employment, skills that you need, and, of course, that works itself into your general training program. As you are aware, part of your training program is a matter of more than passing interest to me and I have some familiarity with some of the operations in the training field you have.

What is the picture in terms of training? You will always obviously need some training but as the mechanization increases are your training needs growing with it?

Mr. BAILAR. Our training needs are growing more rapidly not only because of putting in additional mechanization but also because of increasing sophistication.

The automobiles that we acquire have transistorized ignition systems instead of conventional ignition systems; so as we have the increased amounts of mechanization and more sophisticated mechanization, we need to train postal employees to handle the more intricate maintenance. That is one of the reasons, Dr. Long, as I mentioned earlier, that I think turnover is down.

If we have an employee who is a clerk, a level 5, who can be trained to be an electronics technician, level 7 or 8, and who has the ability, we are willing to give him the training to enable him to do a better job. Five or 10 years ago that sort of opportunity didn't exist in the Postal Service, so the training needs are going to grow, I am confident. We have a problem of funding them. They are expensive but important to us.

ABILITY OF POSTAL EMPLOYEE TO ACQUIRE NEW SKILLS

Mr. STEED. It has always been interesting to me how you took a work force the size you had and began to get requirements for them to do things that nobody had ever heard of before and how you have been able to train them, retrain them, into these new responsibilities and skills. It would be one thing to go out and employ people who are already trained and skilled in certain specific instances. But for you to take mail carriers and mail handlers and find among them those that can be trained in some of the very high skills that you had to train them, I think is a remarkable thing about the versatility of an American worker.

What is your feeling about that?

Mr. BAILAR. We have been heartened, of course, by the number of postal employees who are interested in the training and able to absorb it. I think it is an important part of our employee relations program, not only that we don't have to go out and hire the people but that people who come in at the lower levels can aspire to more responsibility and the higher level of pay, eventually becoming supervisors, and postmasters, and on up the line.

Mr. STEED. It gives a new dimension and appeal for the young beginner.

Mr. BAILAR. A higher caliber of person.

Mr. STEED. In the labor market you have a little better future now than you ever had before.

Mr. BAILAR. Much better and some of it due to the wage increases but not all of it.

MOTOR VEHICLE FLEET EFFICIENCY

Mr. STEED. Could you give us any measurement figure on what you think has happened to your motor fleet and its efficiency since you were able to step up your training of the people who handle your motor pools?

Mr. BAILAR. I will probably have to give it to you for the record. Yes.

Mr. DORSEY. We can provide it for the record.
[The information follows:]

Postal Service Training Activities
Highlights

The Postal Service has two major training systems. (1) The Postal Service Training and Development Institute (PST&DI) with elements at Bethesda, Md; and Norman, OK; New York City, NY; Philadelphia, PA; Chicago, IL; and Los Angeles, CA; and Memphis, TN.

PST&DI is responsible for the management, program development, conduct, and evaluation of Management training, maintenance technical training and correspondence programs. Also, PST&DI develops and supplies programs to be delivered through local Postal Employee Development Centers (PEDCs). (2) There is a network of PEDCs throughout the Postal Service with one in each of the 216 largest Post Offices. The PEDC manager and his staff are responsible for all local training activities including planning, programming, and budgeting.

We continue to look closely at our training investments and their impact on the postal system.

In FY 1975 approximately 40,000 mandays of Mail Processing Equipment Maintenance training were conducted at the Technical Center, Postal Training and Development Institute, Norman, Oklahoma. Indications are that this level of training will continue at least through FY 1976.

We have found that the machinery down time in those mechanized offices that have made a high investment in maintenance training (52 hours of training per maintenance employee per year) to be 33% less than in those offices with a low investment in training (10 hours per maintenance employee per year). Also we have found that those offices having made a high invest-

ment in maintenance training are 8% more productive based on total piece handling per hour and 2% more effective in meeting service standards measured by ODIS than those offices with a low investment in training.

In FY 1975 approximately 9,500 mandays of vehicle maintenance training were conducted at the Technical Center and some 14,000 mandays are planned for this fiscal year. Considering automotive mechanic training, we have found the total vehicle operating costs per hour to be some 35% less in those facilities with a high investment in training when compared to those with a low investment.

Pre and post training skills of the individual vehicle and mail processing maintenance employee have been measured through questionnaires responded to by both the trainee and his/her supervisor. On-the-job performance in both maintenance areas showed marked improvement after training. These results indicate that the effectiveness of our mechanized resources is supported by, if not dependent on, trained personnel.

Some statistics have been developed showing the training impact on the mobility and advancement of our employees particularly in the rapidly expanding areas involving mechanization. A survey of 380 employees attending training at the Technical Center over a three year period revealed that:

Average number of courses taken.....	2.75
Average position grade level at beginning of first course.....	6.9
Average position grade level at end of 3 years.....	11.7

Also a sampling of 166 maintenance employees promoted to supervisor in 1975 revealed that 105 of them had participated successfully in from 1 to 5 maintenance programs at the Technical Center.

Mr. STEED. I understand you made some rather dramatic improvements in that field and it would probably be interesting to know how. I saw some figures somewhere where the turnaround time on certain vehicles going in and out for repair and adjustment had been dramatically reduced in areas where the training had been able to be provided. Mr. Klassen when he was Postmaster General had some experience where very favorable results had been obtained in that area and I would assume that this sophisticated equipment that you are getting and some that we saw there at the training center would indicate that at least if there haven't been any dramatic gains in that area as there has been in the vehicle area, at least you have been able to stay on top of a need and not let a bad situation develop.

Mr. BAILAR. Some of the needs don't have any precedent. Some of the machinery we have can't be compared with less sophisticated or simpler machinery because we just didn't have anything comparable before and there are a lot of new skills that have to be developed.

Mr. STEED. One of the surprising things to me as we went through that installation there at the University of Oklahoma was seeing the vending machine from the other side. I know what they look like on the side where you put the coins in slots but I never looked at one from the other direction. Sometimes I wonder how anybody invented it in the first place, much less how they learned to maintain it, operate it and keep it up.

Mr. BAILAR. They look like a Rube Goldberg.

TRANSFER OF EXCESS EMPLOYEES

Mr. STEED. On the transfer of personnel, how extensive has that been? I know some cases where transfers have been made and my personal observation has been they turn out very well. I don't know in the case, of course, of those who are being transferred whether the morale factor is good.

I had heard there might be some adverse reaction. But what has been your experience?

Mr. BAILAR. I think, Mr. Chairman, it has been kind of a mixed bag. This transfer that I mentioned briefly down in Alabama that involved 50 some employees was opposed by their union. They took us to Federal court and failed to stop it. Some of the employees even ended up retiring or quitting because they didn't like what was happening. Some of them took the transfers under protest.

Besides the justification that the transfers were necessary from the standpoint of the Postal Service, I was pleased to see that there were some cases where employees whose jobs had been eliminated were able to pass tests for higher levels of employment. Some of the people in Birmingham who might otherwise have stayed on as level 4 mail handlers all of a sudden found themselves qualified for and moving in the higher level jobs, so there have been some real good pluses to it.

I think generally that our employees understand the requirements.

Mr. ADDABBO. I apologize for being late.

Our other subcommittee had before it another user of tax dollars, Defense Secretary Rumsfeld, so it has been the order of priorities.

You probably have been asked many questions and probably answered them regarding whether you are going to give better service for 13 cent mail or the possibility of 25 cent mail.

Is 13 cents where we are going to hold for a while?

MAINTAINING CURRENT POSTAL RATES

Mr. BAILAR. I hope we are going to hold that for a while.

Mr. ADDABBO. I don't know if the Chairman has asked you the question, but what were the OMB's reasons for turning you down on your request for the funds which we all know are needed before you go to a 25 cent or 30 cent postal stamp.

Mr. BAILAR. Mr. Addabbo, I think they had two reasons.

One is the impact of this appropriation on the Federal budget, the Federal deficit, which was a matter of considerable concern to them, and understandably so.

Second, I think they have a feeling that 5 years ought to be enough for mailers to get accustomed to the unsubsidized rates and to extend it beyond 5 years for commercial publications or 10 years for others is just not necessary.

Mr. ADDABBO. Do we have the 5 year phasing support?

Mr. BAILAR. They are supporting the 5-year phasing. They are opposing the 8-year phasing. They are supporting 10 years for nonprofit as opposed to the 16 years.

Mr. ADDABBO. Under the 5 year phasing, you don't need this \$316 million?

Mr. BAILAR. No, sir. They have supported the appropriation that is necessary to fund the 5-year phasing. The \$307 million is the additional money needed to support the 8-year phasing.

Mr. ADDABBO. We are required to put inflationary impact statements in the reports accompanying our bills. Has OMB been able to put in a cost inflation factor, how it would affect the economy, if the subsidy was not given?

Mr. BAILAR. Not to my knowledge they haven't.

Mr. ADDABBO. Is there any way of computing it?

Mr. BAILAR. I don't know quite how you define the impact on the economy. What would happen would be that we would have to realize the money through rate increases rather than through the appropriation, and we are going to supply for the record some examples of what would happen to a typical magazine or typical newspaper if this were to happen, but in my statement I indicated that the regular second class rates would go up about 70 percent if we did not get that money.

Mr. ADDABBO. Has there been any study within the Postal Service or the Administration, of how many small users of the mail have gone bankrupt, have gone out of business, since the scaling up of rates?

Mr. BAILAR. We haven't done a study as such because I think generally when somebody goes bankrupt postal rates are a pretty small part of it, even for a magazine like Life or Look. It is my understanding Look Magazine was losing money at a pretty substantial rate even if they had free postage when they went out of business.

What we have done is to take a count on the number of titles of magazines, new titles that are started and old titles that are dropped off, and it shows new magazine starts are greater than magazine deaths, but I am not sure that that is really very conclusive evidence on the effect of postal rates on magazines.

Mr. ADDABBO. Has there been a review of your increased cost of operations since becoming the Postal Service? One of the factors I have seen is that when the Congress controlled the Post Office, so to speak, operating expenses were much less.

In other words, when GSA operated a building for various Government agencies, there was a leveling off of costs. Now you have assumed your own maintenance, you have assumed your own capital improvements and construction, and you go out and you hire independent consultants, and incur other expenses at a higher cost to you than when GSA did it for you.

Has any analysis been made as to cost savings if you sublet to the Corps of Engineers, as was in the past, and have GSA conduct the operation and building of postal facilities?

Mr. BAILAR. I don't know of any analysis that would fit your definition, Mr. Addabbo. We do, of course, have a lot of transactions with GSA in which we rent space in Federal buildings from them and we rent space in post offices to them, but I don't know that there has been any historical analysis as to what has happened per square foot over the course of 10 years.

Mr. ADDABBO. I think maybe we possibly should have GSA make a cost analysis of that and also the question of merchandise purchasing. Now you purchase on your own. You don't purchase through GSA.

Is that correct?

Mr. BAILAR. We usually purchase on our own. There are occasions when we buy off GSA mass contracts.

Mr. ADDABBO. But in the main it has been your own setup?

Mr. BAILAR. Yes, sir.

Mr. ADDABBO. You have to put in your own system.

Mr. BAILAR. Our procurement regulations are generally along the lines of Government procurement regulations.

Mr. ADDABBO. But you have to put in a whole new system which would be under your jurisdiction and I would be interested to see the grade levels and salary levels of your procurement officers, et cetera, vis-a-vis GSA because I know that you do not operate under the same constraints as the Civil Service and GSA restraints are.

Again, one of my industries back home, as my dear friend Tex reminds me, is trailer rentals. There have been studies, and not only on trailer rentals but on the question of equipment which is Government-owned and has to be maintained by Government versus Government leased equipment. You have to put on permanent staff, permanent personnel, vis-a-vis leased equipment, which you only pay on a usage basis and it must be maintained by the lessor and not by you.

You don't have to have set storage facilities, maintenance management, et cetera for leased equipment. Is that constantly under review?

Mr. BAILAR. It is constantly under review, Mr. Addabbo.

I would tell you that in recent years we have never come up with any analysis that would indicate that the traditional patterns, that is, those we have been using for the last few years, ought to be changed, but we do review it periodically.

Mr. ADDABBO. You have testified about going through new labor negotiations?

Mr. BAILAR. We finished them this last fall.

Mr. ADDABBO. And as to the budgetary request and shortfalls that are based on your new contracts, is there anything that has been left open to collective bargaining which may affect it?

Mr. BAILAR. We signed a contract with our labor unions that covers a three-year period ending in July 1978. Of course, the Government does not provide revenue to meet postal requirements through the conventional part of the appropriations process except as our rates affect the revenue foregone requirement for the different classes of mail or franked and penalty mail, so the costs of that new labor settlement are in our budget numbers but the appropriation is just a slice of about 10 percent of the total budget.

As to the rural carriers, Mr. Bolger reminds me, the situation still is somewhat fluid because of the complications which the Fair Labor Standards Act has imposed on our conventional means of paying rural letter carriers. We are having to arrive at a new formula, so that one is still open.

As we negotiate these contracts with the organized employees, we have also determined pay packages that are appropriate for postmasters and supervisors and put those into effect. They have been protested by the managerial organizations and those matters are now in court.

Mr. ADDABBO. One further question, Mr. Postmaster.

I have been in touch with your office and appreciate the fact that you are proceeding with the new facility at JFK, which is greatly needed. There is also talk about centralization and certain facts have been brought to my attention by the men who work in the facility, and they claim there are routes with certain changeovers which result in the double transportation of mail rather than simplification. I have been in touch with your office and I understand they are looking into that question to see whether or not that is a fact and whether there will be simpler and cheaper handling of mail by your facility.

Mr. BOLGER. At your suggestion we had our management people in the New York area meet with the President of the Queens Local and they have had some discussions. They are going to have more and they are going to take into consideration suggestions of the employee organizations for handling mail in the Queens area.

Mr. ADDABBO. I think that is wise and I think it should be handled on a national basis. Sometimes on paper something looks good but then when you talk to those actually handling the mail and routing the mail you can see where the pitfalls might be.

Thank you, Mr. Chairman.

Mr. STEED. Gentlemen, I have some more questions.

APPROPRIATIONS AUTHORIZED IN PUBLIC LAW 91-375

Mr. STEED. The Postal Reorganization Act (P.L. 91-375) authorizes appropriations for three principal items: public service costs, free and reduced-rate mail, and previous unfunded liabilities of the Post Office Department. Would you review the method used to develop your estimate for each of these items for fiscal year 1977?

Mr. BAILAR. For public service costs the estimate is according to law, 10 percent of the 1971 appropriation to the former Post Office Department as authorized in 39 U.S.C. 2401(b).

For free and reduced-rate mail, the estimates are based on volume and applicable subsidized rates, phased and unphased, according to 39 U.S.C. 2401c, 39 U.S.C. 3626 (1) and (2), and Public Law 93-328.

For previous unfunded liabilities of the Post Office Department, estimates are based on payments to the Employees' Compensation Fund for injuries to postal employees which occurred prior to July 1, 1971, and on one-twelfth of the annual leave liability carried forward at July 1, 1971.

PRESIDENT'S ESTIMATE OF POSTAL SERVICE BUDGET

Mr. STEED. I notice that the budget document carries two estimates for the Postal Service, the President's recommendation and the Postal Service request. Could you comment on this?

Mr. BAILAR. The Postal Service prepared its fiscal year 1977 appropriation request in compliance with existing legislation including the extended phasing provided by Public Law 93-328. The President's recommendation does not include the additional amounts for extended phasing. Also, the extended phasing was provided in the fiscal year 1976 regular appropriation enacted by the Congress and signed by the President. Mailers have been given every reason to assume that they will have adequate time to adjust their prices and business practices in light of anticipated higher rates, as intended by Public Law 93-328. The denial of these funds would defeat the purpose of the phasing statute and would work a considerable hardship on these postal customers.

AMOUNT REQUESTED FOR EXTENDED PHASINGS

Mr. STEED. What is the difference, for fiscal year 1977, between the two estimates? Is it caused by the enactment of Public Law 93-328?

Mr. BAILAR. The difference between the USPS appropriation request and the President's recommendation is \$307,366,000. This is the amount requested for Public Law 93-328, extended phasing.

Mr. STEED. Could you outline the requirements and funding of Public Law 93-328 over the total period of phasing? Some funds have already been appropriated for that purpose. What impact, if any, will result if funds for Public Law 93-328 are not appropriated next year?

Mr. GOULD. For fiscal year 1977, the Postal Service is requesting \$307.4 million in extended-phasing appropriations. If a failure of appropriations occurs prior to the beginning of that fiscal year, the Postal Service could put into effect, on October 1, 1976, new postal

rates considerably higher than the step-5 rates currently scheduled to take effect on July 6, 1976.

At the currently scheduled step-5 rates, a typical news magazine weighing 6 ounces will pay an average of 5.01 cents per piece. If a failure of appropriations occurs, that same magazine would pay an average of 8.29 cents per piece, an increase of more than 65 percent. At the currently scheduled step-5 rates, a typical nonprofit veteran's magazine weighing 4 ounces will pay an average of 1.96 cents per piece. Without extended phasing appropriations, it would pay an average of 2.56 cents per piece, an increase of 31 percent.

The requirements and funding of Public Law 93-328 will be provided for the record.

[The information follows:]

Estimated Revenue Forgone Appropriations, FY 1975 - 1987 ^{1/}
(millions of dollars)

	Before P.L. 93-328 appropriations ^{2/}	Additional amount attributable to P.L. 93-328 Extended Phasing	Total amount with P.L. 93-328
Preferential-rate mail			
Second class	\$ 729.7	\$ 420.5	\$ 1,150.1
Third-class (bulk nonprofit)	2,063.7	295.3	2,359.0
Fourth class (library rate)	152.7	53.5	206.2
Free for the blind	72.8	---	72.8
Regular-rate mail			
Second class	286.2	472.3	758.5
Fourth class (special rate)	109.0	154.0	263.0
Controlled Circulation	19.8	34.9	54.7
TOTAL	\$3,433.8	\$1,430.5	\$ 4,864.2

^{1/} FY 1977 through 1987 amounts based on estimated FY 1977 volumes. Does not include phasing of regular-rate third-class rates. Assumes adoption of USPS rate proposals in Postal Rate Commission Docket R76-1.

^{2/} Includes continuing appropriations of approximately \$300 million per year.

Estimated Revenue Forgone Appropriations
 Attributable to P.L. 93-328 Extended Phasing, FY 1975 - 1987 ^{1/}
 (millions of dollars)

Fiscal year	Preferential-Rate Mail			Regular-Rate Mail		Total all items
	Second class ^{2/}	Third-class nonprofit	Fourth class (library rate)	Fourth-class (special rate)	Controlled circulation	
1975	\$ 1.0	\$ 6.2	\$ 0.9	\$ 7.5	\$ 0.6	\$ 46.2
1976	12.1	9.8	0.5	16.0	4.8	111.1
Transition period	2.7	2.1	0.1	3.7	1.1	26.1
1977 ^{3/}	20.6	22.8	1.5	64.9	15.1	307.4
1978 ^{3/}	30.1	19.4	3.6	43.1	9.3	228.1
1979 ^{3/}	39.2	25.5	4.8	18.8	4.0	145.1
1980 ^{3/}	48.2	31.6	6.2	---	---	86.1
1981 ^{3/}	57.3	37.7	7.5	---	---	102.5
1982 ^{3/}	61.6	41.1	8.3	---	---	111.0
1983 ^{3/}	50.9	34.0	6.9	---	---	91.8
1984 ^{3/}	40.2	26.9	5.4	---	---	72.6
1985 ^{3/}	29.5	19.8	4.0	---	---	53.4
1986 ^{3/}	18.9	12.7	2.6	---	---	34.2
1987 ^{3/}	8.2	5.6	1.1	---	---	14.9
TOTAL	\$ 420.5	\$ 295.3	\$ 53.5	\$ 154.0	\$ 34.9	\$ 1,430.5

^{1/} Assumes adoption of USPS rate proposals in Postal Rate Commission Docket R76-1.

Does not include phasing of regular-rate third-class rates.

^{2/} Mainly nonprofit, classroom and in-county publications.

^{3/} Based on estimated FY 1977 volumes.

Estimated Revenue Forgone Appropriations
Without PL 93-328 Extended Phasing, FY 1975-1981 ^{1/}
(millions of dollars)

Fiscal Year	Preferential-Rate Mail		Regular-Rate Mail		Total all items			
	Second class ^{2/}	Third-class non-profit	Fourth-class (library rate)	Free for the blind		Second class	Fourth-class (special rate)	Controlled circulation
1975	\$116.5	\$241.4	\$16.1	\$6.6	\$131.6	\$49.0	\$8.2	\$569.3
1976	126.0	283.5	22.5	8.9	115.8	47.8	8.9	613.4
Transition Period	35.7	69.5	5.4	2.8	34.1	12.2	2.7	162.6
1977 ^{3/}	130.0	315.3	27.6	10.9	0.9	---	---	484.7
1978 ^{3/}	110.0	308.3	24.4	10.9	0.9	---	---	454.5
1979 ^{3/}	90.3	295.1	21.6	10.9	0.9	---	---	418.8
1980 ^{3/}	70.5	281.9	18.9	10.9	0.9	---	---	383.1
1981 ^{3/}	50.8	268.7	16.2	10.9	0.9	---	---	347.4 ^{4/}
Total	\$729.7	\$2,063.7	\$152.7	\$72.8	\$286.2	\$109.0	\$19.8	\$3,433.8

^{1/} Assumes adoption of USPS rate proposals in Postal Rate Commission Docket R76-1. Does not include phasing of regular-rate third-class rates. Includes continuing appropriations of approximately \$300 million per year.

^{2/} Mainly nonprofit, classroom and in-county publications.

^{3/} Based on estimated FY 1977 volumes.

^{4/} Includes continuing appropriations of \$319.7 million. Continuing appropriations do not end in FY 1981.

COLLECTIVE BARGAINING AGREEMENT

Mr. STEED. You mentioned that you recently signed a collective bargaining agreement covering about 600,000 postal employees. Could you expand a little on just what that agreement provides? For example, what postal employees are not covered?

Mr. BAILAR. Primarily, the national agreement does not cover managerial and supervisory employees, professional employees, and our supplemental work force which is comprised of casual employees. With several very minor exceptions the national agreement does not apply to employees who work in facilities which are not engaged in customer services and mail processing.

Perhaps the clearest statement indicating those employees not covered by the national agreement appears in the exclusionary clause of the agreement itself. This clause states that the agreement does not apply to managerial and supervisory personnel, professional employees, employees engaged in personnel work in other than a purely non-confidential clerical capacity, security guards as defined in Public Law 91-375, 1201(2), all Postal Inspection Service employees or employees in the supplemental work force as defined in article seven.

It must be recognized that in addition to the national labor agreements we have several other labor agreements in the Postal Service covering our security guards, employees in our mail equipment shop, mail bag depositories, repair centers, and area supply centers. There is also an agreement covering our headquarters maintenance employees and we have a bargaining unit of five nurses in Florida.

NEGOTIABLE ITEMS

Mr. STEED. What items are considered to be negotiable in the collective bargaining process?

Mr. BAILAR. Under the Postal Reorganization Act the Postal Service is required to negotiate with the unions representing its employees just as private employers are required to do under the National Labor Relations Act. Under the provisions of that Act all employers, including the Postal Service, are obligated to bargain collectively with a union representing a majority of the employees in an appropriate collective bargaining unit with respect to all matters concerning wages, hours and other terms and conditions of employment.

The Postal Reorganization Act does not however permit negotiation of a closed shop or any other union security clause which would limit an employee's right to form, join or assist a labor organization or to refrain from any such activity.

NO LAY-OFF PROVISION

Mr. STEED. Does the agreement include a no lay-off provision? What are the terms of that provision?

Mr. BAILAR. Article six of the 1975 National Agreement provides for a no lay-off clause. I believe it states that no employees employed in the regular work force will be laid off on an involuntary basis during this agreement. This does not mean however that the Postal Service cannot separate involuntarily any excess employee who refuses reassignment in accordance with the provisions of the agreement.

NO STRIKE PROVISION

Mr. STEED. Does it include a non-strike or no-slowdown provision?

Mr. BAILAR. Yes it does. Article eighteen in the agreement forbids strikes and slowdowns.

MAJOR PROVISIONS OF 1975 AGREEMENT

Mr. STEED. What are some of the other major provisions of the contract including pay, leave, insurance, health benefits, etc.?

Mr. BAILAR. I will have to provide the wage and benefit provisions of our agreement for the record.

[The information follows:]

HIGHLIGHTS OF 1975 AGREEMENT

Wages: July 21, 1975, increase of \$400 in basic yearly salary; \$250 increase in basic annual salary March 21, 1976; \$250 increase on November 21, 1976; \$600 increase on July 21, 1977.

COLA: The cost-of-living formula in the outgoing contract (expiring July 20, 1975) is continued. This is as follows:

Base salary schedules increase one cent (1¢) per hour for each 0.4 of a point increase over the negotiated base period (June 1975) in the "National Consumer Price Index For Urban Wage Earners and Clerical Workers" published by the Bureau of Labor Statistics, Labor Department. (1967 = 100) (Generally known as the "Consumer Price Index")

Previous COLA: \$1310 in total cost-of-living adjustments which were made under the terms of the 1973-1975 National Agreement were incorporated into base salary. This has the effect of increasing future retirement annuity benefits as well as increasing the standard life insurance coverage of each employee.

Health Insurance: Employer contribution is raised from 65% to 75% of present formula effective July 21, 1975.

Life Insurance: The Agreement continues the employer's obligation to assume the cost of standard life insurance coverage.

Retirement: No change in the employer's contribution level to the Civil Service retirement fund, i.e., the USPS will continue to contribute 7%.

Uniform Allowance: The yearly allowance for employees eligible to participate in our Uniform and Work Clothes Program was increased by approximately 10%. Employees in the previous \$140 uniform program now receive \$154 per year. Employees in the previous \$60 program now receive \$66 per year. Employees eligible to participate in the work clothes program may now purchase up to \$30 worth of items annually as opposed to the previous contract program which provided \$22 worth of work clothes.

Injury Compensation: Pursuant to the Postal Reorganization Act the Postal Service is covered by the provisions of the Federal Employees' Compensation Act and our National Agreement restates this obligation. In addition, the Agreement states our commitment to promulgate regulations which conform with the applicable regulations of the Department of Labor's Office of Workers' Compensation Programs.

Leave: The National Agreement retains the leave earning capacities, both sick and annual, which existed at the time of the Postal Reorganization Act. These leave earning capacities are the same as in the rest of the Federal Government.

Other significant provisions of the National Agreement are as follows:

Casuals: The 1975 Agreement permits the employer to hire casual employees (up to 5% of the total number of employees covered by the Agreement) to serve two 90-day terms plus 21 days at Christmas during any one calendar year. This is considered to be a significant management gain in the 1975 negotiations since previous contracts limited casual employees to one 90-day term per year.

Discipline: It has been agreed that the records of past discipline may not be used against an employee in a disciplinary action if the employee has had a clean record for a period of two years. However, in the case of counselling, the records of a past counselling may not be considered in a disciplinary action if there has been no disciplinary action initiated against an employee for a period of one year.

Mechanization and Technology: The Agreement retains management's right to introduce new technological and mechanization changes in the Postal Service.

Work and Time Standards: The Agreement retains management's right to develop and implement work and or time standards in the Postal Service, subject of course to the Unions right to be kept informed of the development of such standards and the right to challenge any new work or time standards through the grievance-arbitration procedure.

Subcontracting: The Agreement retains management's rights to subcontract subject to the obligation to "give due consideration to public interest, costs, efficiency, availability of equipment, and qualifications of employees."

Length of Contract: The 1975 National Agreement is a three year Agreement as opposed to the previous agreements which were two year Agreements. The ability to obtain a three year Agreement is considered quite significant as it will give us a far greater stability in projecting our labor costs as well as provide the opportunity to develop a more stable relationship with the National Unions.

UNION ACTIVITIES PERFORMED ON-THE-CLOCK

Mr. STEED. What union activities are performed on-the-clock, that is during normal work hours?

Mr. BAILAR. I will be happy to provide that information for the record.

[The information follows:]

DESCRIPTION OF UNION ACTIVITIES
PERFORMED ON-THE-CLOCK

Article XVII of the 1975 National Agreement, entitled Representation, contains the provisions addressing the rights and obligations of Union stewards in the Postal Service. Pursuant to this article the union has the right to designate stewards in accordance with the following formula:

	Employees in the same	
Up to 49	craft per tour or station	1 steward
50 to 99	"	2 stewards
100 to 199	"	3 stewards
200 to 499	"	5 stewards
500 or more	"	5 stewards
		plus additional steward for each 100 employees

Stewards who have been properly certified in accordance with the above formula have the right to "investigate, present, and adjust grievances." The steward will be paid at the applicable straight time rate provided the time spent is a part of steward's regular work day. Primarily, this means that a steward is on the clock while handling grievances at Step 1, the supervisory level, and Step 2, the installation head level. Stewards, of course, do not have unlimited rights to leave their work area. The Agreement specifically provides that when a steward is to leave his work area to investigate or adjust grievances, etc., he must request permission from his immediate supervisor.

In addition to grievance handling, the steward has a right to be on the clock to attend meetings called by the employer for information exchange and other conditions designated by the employer concerning contract application. Again, the steward would be paid at the applicable straight time rate provided the meetings fall within the steward's regular work day.

Also, those employees designated by the Union to be members of local labor/management committees, safety committees, and employee witnesses at arbitration hearings are considered to be "on the clock" for the time spent in such activities provided it is part of the employees regular work day.

DURATION OF 1975 AGREEMENT

Mr. STEED. How long does the present contract run?

Mr. BAILAR. The 1975 agreement is for 3 years duration from July 21, 1975 through July 20, 1978.

IMPACT OF RATES ON AGREEMENT

Mr. STEED. Does an increase in postage rates have any impact on the agreement with the employee unions?

Mr. BAILAR. An increase in postal rates would have no impact on the agreement with the employees' unions.

INFLATION AND COST OF LIVING ALLOWANCE

Mr. STEED. Assuming a 6 percent inflation rate, how much would the cost of living increase be on a percentage basis?

Mr. BAILAR. A 6 percent inflation rate from June 1975 would generate 70 cents per hour or \$1,456 per year cost of living allowance as of May 1978, which is the last date for a cost of living adjustment under the 1975-1978 National Agreement. This would be an 11.3 percent increase over the average base pay, including cost of living allowance, in effect immediately prior to the 1975 agreement.

In general terms, under our cost of living allowance formula, a 1 percent increase in the Consumer Price Index generates two-thirds of 1 percent increase in base rates.

FINANCIAL CONDITION OF POSTAL FUND

Mr. STEED. What is the financial condition of the Postal Fund at this time and what do you forecast for the foreseeable future?

Mr. BAILAR. As of January 2, 1976, the Postal Service Fund had a total cash and investment balance of \$966 million. Also, at that date there were loans payable outstanding of \$1,750 million which were incurred to satisfy cash requirements. A projection of cash flow from July 1, 1976, through September 30, 1977, will be provided.

[The information follows:]

U.S. Postal Service cash flow
[In millions of dollars]

	FY 1976	Transition quarter	FY 1977
Balance, beginning of year.....	\$1,069	\$632	\$440
Receipts.....	13,038	3,443	14,506
Disbursements.....	-14,755	-4,135	-15,967
Ending balance, before borrowing.....	-648	-60	-1,021
Borrowing—net of repayments.....	1,280	500	1,398
Balance, end of year.....	632	440	377

FURTHER RATE INCREASES

Mr. STEED. Do you anticipate that postage rates will have to be increased again in the near future?

Mr. BAILAR. The steady increase in our costs of doing business as a consequence of inflationary pressures, and despite our most

strenuous efforts at cost control, will make eventual postage rate increases inevitable. We hope that those increases may be avoided during the remainder of this year.

CONSTRUCTION PROGRAM

Mr. STEED. What is the status of your construction program?

Mr. BAILAR. Since the establishment of the Postal Service, we have committed over \$1.6 billion for construction of new postal facilities and improvements to existing buildings. Based on our current 5 year plan, fiscal year 1976-1980, the requirement for new construction and improvements is estimated at \$3.2 billion.

Mr. STEED. Have you constructed about all the major plants you require in the immediate future?

Mr. BAILAR. No. Our Major Facility Replacement Schedule shows continuing requirements through 1980.

Mr. STEED. How is that construction funded?

Mr. BAILAR. The money to pay for our construction is basically a combination of the use of equity acquired through postal reorganization and borrowed funds within our borrowing authority.

Mr. STEED. Do the plants so constructed become the property of the Postal Service?

Mr. BAILAR. Facilities constructed for postal use fall into two broad categories: owned new construction and leased construction. For new owned facilities, the Postal Service purchases the site and contracts for design and construction of the facility. For new leased facilities, the lessor constructs the facility to postal specifications and leases it to the Postal Service for a basic lease term with succeeding options to renew the lease. Major plants being constructed and those constructed since postal reorganization are postal-owned properties. Leased new construction since postal reorganization has generally been limited to the smaller plants.

Mr. STEED. Do you use the so-called purchase contract or lease purchase method of construction which was used by GSA for a short period?

Mr. BAILAR. The Postal Service does not use the purchase contract or lease purchase method of construction.

Mr. STEED. How much use to you make of leased space?

Mr. BAILAR. The Postal Service occupies approximately 161 million square feet of space. Of this total 54 percent or about 88 million square feet are leased from commercial sources.

MECHANIZATION PROGRAM

Mr. STEED. What is the status of your mechanization program? Include mail handling equipment and vehicles.

Mr. BAILAR. During the last 4 years since creation of the U.S. Postal Service we have committed a total of \$528.9 million for fixed mechanization, \$108.6 million for non-fixed mechanization, and \$51.0 million for other mail handling equipment for an overall total of \$688.5 million investment in mail processing equipment. Our present 5 Year Plan, 1976-1980, anticipates a further investment of about \$774.4 million.

RESEARCH AND DEVELOPMENT

Mr. STEED. What are you doing in the field of research and development? Do you have a research and development division or similar office to direct this work for the Postal Service? What new developments have occurred in this program in recent years?

Mr. BAILAR. Yes, we do have a Research and Development Department, headed by an Assistant Postmaster General. Our R and D effort has been on-going since the early 1960's when the Post Office really got into R and D work as it is known in industry.

Our efforts in this area have been largely responsible for the mechanization now in place in post offices, such equipment as the letter sorting machines and the OCRs. The experimentation with bar coding, both in Cincinnati and New York, have been primarily R and D projects.

Other recent projects include a mechanized flat sorter, the first of its kind, an improved facer canceler, development work on containerization, research on electronic message systems and a variety of other research projects.

CORRECTING RATEMAKING DEFICIENCIES

Mr. STEED. Have you proposed legislation to correct the deficiencies in the ratemaking process?

Mr. BAILAR. Let us say that in general, we favor many of the proposals in S. 2844 affecting the Postal Rate Commission. We strongly favor the 10-month limit on rate proceedings.

One major factor causing the grave financial situation in the Postal Service has been a break-down in the ratemaking process established under the Postal Reorganization Act. In September 1973, the Postal Service filed its application for a 10-cent first-class stamp. Had this rate been approved in a reasonable time, we would have been able to obtain a 13-cent first-class stamp when it was needed, in July 1975. Instead, we were forced to wait for this essential increase until late December 1975, more than 2 years after initial filing. Had we been able to obtain a 13-cent stamp last July, we would not have the better-than-a-billion-dollar deficit we have already accrued in fiscal year 1976. In essence, the proceedings before the Postal Rate Commission were prolonged to the point of threatening the economic future of the Postal Service.

We object, however, to the proposal to permit the Postal Rate Commission to obtain whatever it desires from the Postal Service Fund. Under present law, the Postal Service finances the Rate Commission budget, but the Governors of the Postal Service exercise a limited power of review over the total amount. We believe that this system has been fair and reasonable. We do not understand how it could be considered appropriate to provide the commission with absolutely unlimited spending authority, to be covered from Postal Service income. However, we do not object to a change in law, such as that contained in the House-passed H.R. 8603, which would require the Commission to submit requests through OMB to the Congress for appropriations. Indeed, we would favor such legislation.

COST COVERAGE BY CLASS OF MAIL

Mr. STEED. What proportion of its cost is each class of mail now generating from postal revenues?

Mr. BAILAR. The currently effective postage rates are designed to cover the costs attributable to each class of mail and, except for certain classes exempt by statute, that share of the other costs of the Postal Service reasonably assignable to each class, after taking account of congressional appropriations. But for the inevitable shortfall of revenues due to the failure of postage rates to keep pace with rising costs, it can be said that each class of mail is covering its costs.

INCREASING RATES TO BREAK EVEN

Mr. STEED. When you propose increases in postage rates, are you attempting to reach a point where all classes of mail will be self-supporting?

Mr. BAILAR. Yes. The Postal Reorganization Act provides that postage rates be designed so that the Postal Service will break-even, after taking account of congressional appropriations. Moreover, rates for each class are designed to cover the costs attributable to that class plus those other costs reasonably assignable to it.

SELF-SUFFICIENCY OF POSTAL SERVICE

Mr. STEED. Do you think the Postal Service, under the existing circumstances, will ever reach the goal of self-sufficiency envisioned in the Postal Reorganization Act?

Mr. BAILAR. Operating under the existing circumstances, the Postal Service appears to be heading into a vicious cycle of higher rates, lower volumes and high levels of debt. At that rate, I think a goal of self-sufficiency is increasingly questionable.

The break-even philosophy of the Postal Reorganization Act was based on several key assumptions which have not materialized. One was the anticipation that mechanization could be far more effective in changing our labor-intensive operation than it, in fact, can be. A second assumption that time has proved incorrect, was that mail volume would continue to grow at a steady rate. Last year that trend reversed itself and there is little reason to believe it will go up again to any significant degree.

I believe that there is little hope of the Postal Service becoming self-sufficient unless there first is a serious reevaluation of America's real postal needs. Traditional postal services now provided to the public, regardless of the extent of the need for those services, must be reexamined.

I think it is time that we reevaluate the goal of self-sufficiency itself. Perhaps that is no longer a desirable goal when weighed against its cost to the American public.

That is why I have called for a commission to study the Postal Service. These questions need to be addressed in light of the lessons we have learned in the years since the Postal Reorganization.

BORROWED FUNDS

Mr. STEED. Under the Reorganization Act you are authorized to borrow certain funds. What funds have been borrowed to date and what are your plans regarding additional borrowings under this authority in the future?

Mr. BAILAR. The Postal Reorganization Act authorizes the Postal Service to issue and sell obligations not to exceed \$10 billion outstanding at any one time. The net increase outstanding in any one year shall not exceed \$2 billion of which no more than \$1.5 billion may be used for capital improvements and \$500 million for working capital.

I can provide the actual and projected loans negotiated pursuant to this borrowing authority through fiscal year 1977.

[The information follows:]

Borrowing transactions
[In millions of dollars]

	Borrowed	Repayments	Balance outstanding	Remaining borrowing authority
Balance, June 30, 1971.....				\$10,000
Fiscal year 1972.....	\$250.....		\$250	9,750
Fiscal year 1973.....			250	9,500
Fiscal year 1974.....	500.....		750	9,250
Fiscal year 1975.....	1,500.....	\$500	1,750	8,250
Fiscal year 1976.....	1,500.....	220	3,030	6,970
Transition quarter.....	500.....		3,530	6,470
Fiscal year 1977.....	1,750.....	352	4,928	5,072

Mr. STEED. Mr. Miller.

COMPETITION IN FIRST CLASS MAIL

Mr. MILLER. How much competition would a commercial first class mail operation provide to the USPS? What would the loss of revenue be?

Mr. BAILAR. A commercial first class mail operation not operating under the same restrictions and regulations as the USPS would pose a major threat to the future of the USPS. Competition could offer cheaper rates by operating in only the most lucrative locations and serving only those customers that would be profitable to their operations. This would leave the USPS providing mail service to the balance of the country or handling the most difficult and unprofitable portion of our present business. This would result in significantly higher postal rates. It is difficult to forecast the absolute magnitude of the impact these systems would have on the postal service; however, a diversion of as much as 25 percent of first class volume would cause a revenue loss of 2 billion dollars annually at current rates.

COMPUTER CODING OF LETTER MAIL

Mr. MILLER. What advances have been made in the area of computer coding letter mail?

Mr. BAILAR. Currently, approximately 450 million pieces of pre-printed bar coded mail are processed annually by the Postal Service in 26 cities. The Tulsa Post Office is currently testing the capability of processing computer addressed coded letter mail supplied by a

major oil company that generates approximately 85,000 pieces of mail daily. This capability would be unique to those post offices that have large volumes of outgoing computer addressed mail and do not currently have Optical Character Readers (OCR's) to process it. A new trinary bar code, which provides a much higher quality of machineable mail, and is adaptable to computer print trains, has recently been developed. Additionally, the USPS has developed an experimental OCR that reads and encodes computer addressed letter mail.

DECREASING MAIL VOLUME

Mr. MILLER. On page 1 of your statement, you feel decreasing mail volume will be a continuing trend. Why continuing?

Mr. BAILAR. We believe mail volumes will continue to be adversely affected by rising postage rates that will inevitably accompany general inflation, by the development of alternative delivery systems, and by advances in communications technology, for example, electronic funds transfer systems.

LESS EMPLOYMENT TO HANDLE INCREASED MAIL VOLUME

Mr. MILLER. How did you handle an increased volume of mail with less work hours and less overtime?

Mr. BAILAR. During the past Christmas season this was accomplished through a combination of factors—increased utilization of mechanized processing and distribution of mail, mailer cooperation, and better management of resources. Similar results can be expected as we move toward complete mechanization in all areas in which mail volume justifies such expansion. Productivity will be further improved as attrition and casual reductions occur.

RISING ENERGY COSTS AND CONSERVATION MEASURES

Mr. MILLER. How has the increased cost of energy hastened the rise of postal costs? Are we considering heating, gasoline, and electricity? What measures are we using to conserve energy?

Mr. BAILAR. If the U.S. Postal Service had not instituted an effective energy conservation program, additional fuel costs in fiscal year 1975 would have totaled \$47.9 million. Of this total avoidance, \$20.3 million was for transportation fuel, while \$27.6 million was for plant and equipment utilities.

In July 1973, the U.S. Postal Service established energy coordinators at the Headquarters and regional level. They are responsible for coordinating all matters pertaining to the fuel crisis.

An Energy Action Group was formed in November 1973. Their primary objective was to achieve at least a five percent reduction in fuel and energy usage in the Postal Service. Subsequently, the goal has been revised upwards. The group is composed of top postal management who worked with the regions in identifying action areas, developing specific action plans, determining target dates to achieve these actions, and monitoring and reporting actual fuel energy savings. The conservation target dates were as follows: March 1, 1974, 5 percent reduction, April 1, 1974, 10 percent reduction (additional 5 percent); continuing, 20 percent reduction in facilities, 10 percent in transportation.

Postal facilities were issued instructions that established broad national policies and suggested criteria to be followed by the regions in developing energy conservation programs for USPS plant and equipment.

Definitive steps for reducing vehicle fuel consumption are being taken. These measures represent an all-out effort to conserve energy without degrading service or creating a serious impact on our employees.

An energy reporting system was developed to measure the results of our conservation actions. The monthly reports enable postal management to pinpoint critical areas.

During fiscal year 1975, USPS experienced an average energy reduction, as compared to the base fiscal year 1973, of 16 percent for facilities. Also, during the same time period, the postal vehicle fleet increased by 18.5 percent and rural route delivery mileage increased 3 to 4 percent, yet transportation energy consumption was reduced approximately 3 percent. The net overall actual savings achieved were 10.1 percent over fiscal year 1973.

ELECTRONIC FUNDS TRANSFER

Mr. MILLER. To what extent is electronic funds transfer cutting into first class mail volume? What is the future impact projection?

Mr. BAILAR. The impact of electronic fund transfer systems on first class mail volume has not yet created any serious problem in terms of loss of volume. The systems now in operation in various parts of the country are for the most part experimental and are not transferring significant volumes. The threat, however, in terms of potential impact is of major proportions. Approximately 60 percent of our current first class mail volume could be transferred by competitive electronic fund transfer systems. The technology is available today to transfer funds electronically. The future impact of these systems on mail volume will depend to a large extent on how the public reacts to this type of money transfer and the speed and ability of competitive companies to develop electronic fund transfer systems.

POSTAGE RATES IN OTHER COUNTRIES

Mr. MILLER. Please provide for the record the comparative costs of mail in other countries. For example Italy, Spain, Canada, United Kingdom, and Switzerland. Why does it cost less to send a letter in Switzerland and Canada?

Mr. BAILAR. I am providing a table showing the cost of the first unit of letter postage in 12 western, industrialized countries. Information recently received indicates that the postage rate for a letter in Switzerland increased on January 1, 1976, to the equivalent of 15.5 cents.

Despite a very substantial deficit, the Canadian Post Office has not yet increased postal rates. The Canadian postal deficit amounted to \$321 million in fiscal year 1975, compared with total revenues of \$618 million.

[The information follows:]

Foreign Postal Rates Compared
with United States Rate

<u>Country</u>	<u>Rate for One Unit of Domestic Letter Postage (national currency)</u>	<u>Postage Converted to 1/ U. S. Cents (¢)</u>
Canada	C\$.08	8.0
U.S.A.	US\$.13	13.0
Switzerland	.40 S. Franc	15.5
Japan	50 Yen	16.6
Belgium	6.50 B. Franc	16.7
United Kingdom	.085 Pound	17.3
France	.80 F. Franc	18.0
West Germany	.50 D. Mark	19.5
Italy	150 Lira	20.3
Netherlands <u>2/</u>	.55 Guilder	20.7
Australia	A\$.18	22.9
Sweden	1.00 Krona	23.0

1/ Foreign exchange rates prevailing on February 3, 1976
(New York Times, February 4, 1976).

2/ Effective April 1, 1976.

ALTERNATIVE MEANS OF COMMUNICATION

Mr. MILLER. What are the alternate, less expensive means of communication customers are turning to? What other services are available to large volume mailers?

Mr. BAILAR. Our customers include businesses, governments and households. Businesses and governments are turning to electronic communication as a means of transferring messages. The FCC decision to encourage competition among common carriers has resulted in more carriers, more capacity and lower communication rates. Advances in technology have brought about new services that provide faster and less expensive ways of transferring messages. They include high speed facsimile and direct data links between major businesses. Households, as a result of increased postal rates, are using the telephone more because of convenience and cost.

CLOSING OF SMALL POST OFFICES

Mr. MILLER. How can we close small post offices and maintain the level of service.

Mr. BAILAR. There are several alternatives offered to the affected customer. The customer comments on the alternatives via a survey form. One, community post office, which is operated under contract and can be combined with an existing business, can be established. Under this arrangement, a community maintains its name, ZIP Code, and identity. Two, rural carrier or star route services are provided, therefore it will not be necessary to walk to the post office. Carriers not only deliver mail, but will accept mail for dispatch, sell stamps, money orders, etc. Three, combination of 1 and 2. Four, a non-

personnel community post office can be established. It provides mail service into lock boxes via a rural carrier who remains at the unit a minimum of 15 minutes each delivery day to conduct stamp sales and other postal needs.

Under any of these options, the postal customer is receiving the same, if not better, level of service that was available prior to the post office closing.

ABSENTEEISM

Mr. MILLER. Last year you provided statistics on your rate of absenteeism, compare your present rates in past years. What have you done to improve

Mr. BAILAR. In discussing absenteeism last year, we reported sick leave usage rate as our leading indicator of absenteeism. In 1974, we reported average sick leave usage per postal employee as 8.50 days. In 1975, average sick leave usage was 8.68 days, a slight increase over fiscal year 1974. However, due to increased management attention, improved leave control techniques, and a concerted program to isolate the problem cases through personal counseling procedures involving the supervisor and the employee concerned, we were able to make a 2.5 percent improvement in reduction of sick leave usage in fiscal year 1976, through period ending January 2, 1976.

Further improvement is expected through increased training efforts utilizing the postal employee development centers and training programs whose specific objectives are to improve the control techniques and to create greater awareness in our employees of the importance and personal advantages accruing from the proper utilization of sick leave.

Mr. STEED. Mr. Roybal, do you have any questions?

Mr. ROYBAL. Yes, thank you Mr. Chairman.

PRODUCTIVITY IMPROVEMENTS

You indicate that increased volume of mail was handled by 3.2 percent fewer working hours. How was this accomplished, and can we expect similar results in the future?

Mr. BAILAR. This was accomplished through a combination of factors: increased utilization of the mechanized processing and distribution of mail, mailer cooperation, and better management of resources. Similar results can be expected as we move toward complete mechanization in all areas in which mail volume justifies such expansion. Productivity will be further improved as attrition and reduction of casuals occur.

DELIVERY PERFORMANCE

Mr. ROYBAL. You indicate that your performance for delivery of mail on time continues to improve. How do you define "delivery of mail on time"?

Mr. BAILAR. This means that, after entry into the mail-stream and compliance with certain requirements, such as use of ZIP Code and deposit prior to 5 p.m. collections, a piece of mail will arrive at its destination in accordance with established service standards as measured by origin-destination information system. Overnight, 2- and 3-day services are those afforded first-class mail.

Mr. ROYBAL. What was your rating last year?

Mr. BAILAR. Our rating last year indicated that 90.16 percent of first-class stamped mail was delivered on time.

Mr. ROYBAL. What is your rating this year?

Mr. BAILAR. This year 92.52 percent of our first-class stamped mail is being delivered on time.

DEPRECIATION AS A PART OF DEFICIT

Mr. ROYBAL. You talk about an operating deficit of \$200 million a month. Does that include a depreciation component?

Mr. BAILAR. Yes. The operating deficit of the Postal Service reflects the net difference of operating expenses over revenue. Depreciation is an item recognized as a operating expense and would be included in the operating deficit.

CIVIL SERVICE UNFUNDED LIABILITY

Mr. ROYBAL. How much is the unfunded liability of the Civil Service Retirement Fund, and how long before it becomes fully funded?

Mr. BAILAR. The unfunded liability of the Civil Service Retirement and Disability Fund is \$3,054,933,000 for fiscal year 1975. We estimate that the unfunded liability will be \$5,371,868,000 in fiscal year 1976, an increase of \$2,316,935,000.

The unfunded liability will require annual installments for a 30-year period before the fund becomes fully funded.

CYCLE OF LOW VOLUME AND HIGH COSTS

Mr. ROYBAL. Have you taken any action to reduce the cycle of lower mail volume and higher costs?

Mr. BAILAR. Yes. We have instituted the excess employee reporting system to maximize the effective use of our employees. This procedure precludes the hiring of employees to handle the mail volume in one office while we have employees in another office excess to the needs of that facility. Additionally, we are reducing the use of casuals and requiring that overtime be used only when necessary to move the mail.

ALLOCATION OF REVENUE FROM FIRST CLASS MAIL

Mr. ROYBAL. Is there any reason why first-class mail should subsidize other classes of mail?

Mr. BAILAR. There is no reason why any class of mail should subsidize another class of mail and we do not believe such subsidization is occurring. The Postal Reorganization Act requires that the full, unphased rates for each category of mail be fixed at a level high enough to cover the costs attributable to that category plus a share of the other costs of the postal service reasonably assignable to it.

In the case of the categories subject to phasing, Congressional appropriations, and not postage revenues from other mail categories, cover the difference between phased rates and the full rates that would otherwise apply.

COMPETING WITH PRIVATE CARRIERS

Mr. ROYBAL. Can you successfully compete with other private mail carriers? If not, why not?

Mr. BAILAR. We believe the Postal Service can and does effectively compete with private carriers in the delivery of second-, third-, and fourth-class mail. Some experiments have been made by private carriers in the delivery of second-class such as magazine and newspaper matter; however, these deviated volumes are modest.

The Postal Service continues to offer the best means of delivery for direct mail advertising matter, as the service is best suited to provide both the speed, selectivity, and reliability so essential to the success of the many planned advertising campaigns undertaken by the business users of this class.

The Postal Service is nearing completion of a national bulk mail system which should be fully operating later this year. Implementation of this system should help us greatly in our efforts to remain on a firm, competitive footing with alternative private carriers in the parcel delivery business.

The private express statutes give the Postal Service a monopoly on the carriage of most mail matter having the nature of current correspondence, largely first class. If the private express statutes were repealed, thus permitting the private delivery of first-class mail, there would be a tremendously adverse effect upon the Postal Service and, ultimately, on the American public. There are two basic reasons for this. First, many postal costs are fixed and largely unrelated to mail volume. If the volume were to decline significantly due to the repeal of the statutes, the fixed costs would remain, to be apportioned over fewer pieces of mail. The result would be considerably higher postal rates. Second, private companies would almost certainly engage in cream-skimming operations, that is to say, concentrate on mailings from large-volume business mailers to areas of high population density. As a result, individuals would bear the burden of increased rates.

REDUCING WORKFORCE

Mr. ROYBAL. You intend to reduce your work force by 19,000 man-years. Will this be through attrition or discharges?

Mr. BAILAR. This reduction of employees will be achieved through attrition, transfers of excess employees to other offices where they are needed, reduction in hours worked by part-time employees, and gradual elimination of casual employees.

UNION AGREEMENT TO TRANSFER POLICY

Mr. ROYBAL. Has the postal union agreed to the shifts of personnel you plan to make?

Mr. BAILAR. The provisions of the national agreement provides a process for the reassignment of employees who are excess to the needs of one facility to other facilities where there are vacant positions and the employees can be productively utilized. The Postal Service discussed its program to utilize an excess craft employee reporting procedure with the Unions prior to issuing it to the field for implementation. All reassignment actions will be accomplished in accordance with the provisions of the collective bargaining agreement between the Postal Service and the unions.

CUTTING SIX DAY DELIVERY

Mr. ROYBAL. Will 6-day delivery be cut to 5 days?

Mr. BAILAR. We are conducting a study of this option, but as yet no decision has been made.

Mr. STEED. That ought to complete the making of our record and it should be in pretty good shape.

I want to express our thanks and the committee's appreciation to you for your appearance and cooperation. We are happy to have been able to discuss this with you.

Mr. BAILAR. We appreciate your committee's support, Mr. Chairman.

Mr. STEED. The justifications will be inserted in the record at this point.

JUSTIFICATION OF THE BUDGET ESTIMATES

U. S. POSTAL SERVICE
 APPROPRIATION REQUEST
 1975 - 1977
 (thousands of dollars)

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
Budget authority, President's Budget..	1,874,741	1,587,185	416,481	1,458,804
Requested funding for Public Law 93-328.....	...	...	...	307,366
Supplemental requested:				
President recommended.....	...	102,642	14,649	...
Public Law 93-328.....	...	18,589	3,000	...
Total supplemental requested....	...	121,231	17,649	...
Total Appropriations.....	1,874,741	1,708,416	434,130	1,766,170

1/28/76

APPROPRIATION REQUEST

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 U.S.C. 2004, \$1,766,170,000.

Program and Financing
(thousands of dollars)

	1975 Actual	1976 Estimate	Transition Quarter Estimate	1977 Estimate
Program by activities:				
Payment to the Postal Service fund for:				
Previous non-funded liabilities of the Post Office Department.	57,140	58,913	35,663	54,104
Contribution to fund deficit of U.S. Civil Service retirement and disability fund	284,667	920,000	230,000	920,000
Public service costs.	920,000	603,272	150,818	484,700
Free and reduced-rate mail.	612,934	. . . . .	. . . . .	307,366
Public Law 93-328 . . . . .	. . . . .	5,000	. . . . .	. . . . .
Revolving fund-International air carriers . . . . .	. . . . .	. . . . .	. . . . .	. . . . .
Total payments to the Postal Service fund (costs-commitments) (Object class 41.0).	1,874,741	1,587,185	416,481	1,766,170

1/27/76

APPROPRIATION - LANGUAGE

U. S. POSTAL SERVICE

Federal Funds

Program and Financing - cont'd
(thousands of dollars)

	1975 <u>Actual</u>	1976 <u>Estimate</u>	Transition Quarter <u>Estimate</u>	1977 <u>Estimate</u>
Financing:				
Budget authority:				
Appropriation	1,874,741	1,587,185	416,481	1,766,170
Relation of obligations to outlays:				
Obligations incurred, net	1,874,741	1,587,185	416,481	1,766,170
Adjustments in expired accounts <u>1/</u>	<u>2,371</u>	. . . . .	. . . . .	. . . . .
Outlays	1,877,112	1,587,185	416,481	1,766,170

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).

The \$54,104 thousand requested for previously unfunded liabilities of the former Post Office Department provides \$23,104 thousand to cover payments to the Employees' compensation fund for 1977 for injuries to postal employees which occurred prior to July 1, 1971 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.

In addition to the amounts recommended by the President, the U.S. Postal Service requests funding of Public Law 93-328 in the amount of \$307,366 thousand for 1977.

1/ Restoration of balances to liquidate prior Post Office Department obligations.

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APPROPRIATION - LANGUAGE Cont'd.

U. S. POSTAL SERVICE
 Revenue Forgone Appropriations, FY 1977 1/
 (thousands of dollars)

<u>Category</u>	<u>President Recommended</u>	<u>Amount attributable to P.L. 93-328</u>	<u>USPS request</u>
Preferential-rate mail			
Second-class	\$129,959	\$20,600	\$150,559
Third-class bulk	315,349	22,835	338,184
Fourth-class (library rate)	27,582	1,453	29,035
Free-for-the-blind	10,888	---	10,888
Regular-rate mail			
Second-class	922	182,475	183,397
Fourth-class (special rate)	---	64,889	64,889
Controlled circulation	---	15,114	15,114
	<u>\$484,700</u>	<u>\$307,366</u>	<u>\$792,066</u>

1/ Includes net effect of rates finally adopted in Docket R74-1 and USPS-proposed rates in PRC Docket R76-1.

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APPROPRIATION - LANGUAGE

U. S. POSTAL SERVICE
 Revenue Forgone Appropriations, FY 1977 1/
 (thousands of dollars)

Without P.L. 93-328

<u>Category</u>	<u>Phasing appropriations</u>	<u>Continuing appropriations</u>	<u>Total appropriations</u>
Preferential-rate mail			
Second-class	\$ 94,247	\$ 35,712	\$129,959
Third-class bulk	62,033	253,316	315,349
Fourth-class (library rate)	13,621	13,961	27,582
Free-for-the-blind	...	10,888	10,888
Regular-rate mail			
Second-class	... <u>2/</u>	922	922
Fourth-class (special rate)	... <u>2/</u>	...	...
Controlled circulation	... <u>2/</u>	...	...
Total	<u>\$169,901</u>	<u>\$314,799</u>	<u>\$484,700</u>

1/ Includes effect of USPS proposed rates in PRC Docket R76-1.
2/ Rates fully effective under 5-year phasing schedule.

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APPROPRIATION - LANGUAGE

PAYMENT TO THE POSTAL SERVICE FUND

(Supplemental now requested, existing legislation)

For an additional amount for "Payment to the Postal Service Fund", \$121,231,000.

For an additional amount for "Payment to the Postal Service Fund" for the period July 1, 1976, through September 30, 1976, \$17,649,000.

PROGRAM AND FINANCING
(thousands of dollars)

	<u>1975</u> <u>Actual</u>	<u>1976</u> <u>Estimate</u>	<u>Transition</u> <u>Quarter</u> <u>Estimate</u>	<u>1977</u> <u>Estimate</u>
Program by activities:				
Payment to the Postal Service fund (costs - commitments).....	...	121,231	17,649	...
Financing:				
Budget authority (proposed supplemental appropriation).....	...	121,231	17,649	...
Relation of obligations to outlays:				
Commitments incurred, net.....	...	<u>121,231</u>	<u>17,649</u>	...
Outlays.....	...	121,231	17,649	...

These supplemental appropriations are requested to cover the additional revenues foregone by the Postal Service as a result of rate changes implemented on December 31, 1975. The amount requested is equal to the difference between the revenues the Postal Service would have received at the new rate levels and what it actually receives for carrying certain classes of mail at free and reduced rates pursuant to section 2401 (c) of Public Law 91-375.

1/27/76

SUPPLEMENTAL REQUESTED

U. S. Postal Service
 Supplemental Revenue Foregone Appropriations, 1976
 (dollars in thousands)

<u>Category</u>	<u>President Recommended</u>	<u>Amount Attributable to P.L. 93-328</u>	<u>USPS Request</u>
Preferential-rate mail			
Second-class	20,844	4,214	25,058
Third-class bulk	6,248	3,003	9,251
Fourth-class (library rate)	3,832	513	4,345
Free-for-the-blind	1,633	...	1,633
Regular-rate mail			
Second-class	44,518	7,424	51,942
Fourth-class (special rate)	20,514	2,790	23,304
Controlled circulation	5,053	645	5,698
Total	<u>102,642</u>	<u>18,589</u>	<u>121,231</u>

1/28/76

SUPPLEMENTAL REQUESTED

U. S. POSTAL SERVICE
 Supplemental Revenue Foregone Appropriations
 Transition Quarter
 (dollars in thousands)

<u>Category</u>	<u>President Recommended</u>	<u>Amount Attributable to P.L. 93-328</u>	<u>USPS Request</u>
Preferential-rate mail			
Second-class	9,452	732	10,184
Third-class bulk	238	436	674
Fourth-class (library rate)	735	72	807
Free-for-the-blind	947	...	947
Regular-rate mail			
Second-class	16,319	1,263	17,582
Fourth-class (special rate)	5,400	400	5,800
Controlled circulation	1,770	97	1,867
Total revenue foregone	<u>34,861</u>	<u>3,000</u>	<u>37,861</u>
Adjustment in workmen's compensation for POD liability	<u>-20,212</u>	<u>...</u>	<u>-20,212</u>
Total	14,649	3,000	17,649

SUPPLEMENTAL REQUESTED

1/28/76

PUBLIC ENTERPRISE FUND
POSTAL SERVICE FUND -- PROGRAM AND FINANCING
(thousands of dollars)

Line No	ITEM	1975	1976	T. Q.	1977
		Actual	Estimate	Estimate	Estimate
1	Program by activities:				
2	Direct operating costs, funded:				
3	Postal field operations.....	10,290,888	10,856,709	2,790,528	11,626,623
4	Transportation.....	769,236	795,293	192,332	872,430
5	Supplies and services.....	222,852	254,217	75,202	265,586
6	Administration and regional operations.....	801,580	1,075,239	371,108	1,214,451
7	Building occupancy.....	364,064	415,902	120,257	453,557
8	Research and development.....	18,170	28,193	7,157	25,822
9	Service-wide expenses.....	54,795	107,731	69,533	130,518
10	Contingency.....	.....	547,157	146,932	591,273
11	Subtotal.....	12,521,585	14,080,441	3,773,049	15,180,260
	Adjustments for prior year commitments:				
12	(a) Workmen's compensation..	26,140	27,913	7,701	23,104
13	(b) Contribution to the CSC Retirement and disability fund deficit...	284,667	...	...	...
14	(c) Employees' earned and unused annual leave....	31,000	31,000	7,750	31,000
15	(d) Other transactions.....	2,371	...	...	...
16	Revolving fund for advance payments to airlines.....	...	5,000	...	...
17	Total direct operating costs, funded.....	12,865,763	14,144,354	3,788,500	15,234,364
18	Change in selected resources I/.....	16,510	...	...	...
	Total direct operating commitments.....	12,882,273	14,144,354	3,788,500	15,234,364

1/23/76

PROGRAM AND FINANCING

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND -- PROGRAM AND FINANCING - cont'd
 (thousand of dollars)

Line No	ITEM	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
19	Reimbursable program:				
	Operating services.....	95,616	87,406	22,188	97,071
	Total operating commitments...	<u>12,977,889</u>	<u>14,231,760</u>	<u>3,810,688</u>	<u>15,331,435</u>
20	Capital outlay, funded:				
21	Capital investment.....	751,889	796,000	200,000	920,000
22	Total capital outlay, funded..	<u>751,889</u>	<u>796,000</u>	<u>200,000</u>	<u>920,000</u>
23	Change in selected resources 2/.	-49,719	157,974	14,735	444,318
24	Total capital outlay commitments.....	<u>702,170</u>	<u>953,974</u>	<u>214,735</u>	<u>1,364,318</u>
25	Total commitments.....	<u>13,680,059</u>	<u>15,185,734</u>	<u>4,025,423</u>	<u>16,695,755</u>
26	Financing:				
27	Receipts, other income and reimbursements from:				
	Federal funds:				
28	Receipts from other Govern-				
30	ment agencies for mail and other postal services.....	-484,035	-521,727	-139,836	-594,220
	Other income and reimbursements.....	-112,362	-102,403	-25,994	-113,619
31	Public service and transit-				
32	ional subsidies.....	-1,874,741	-1,708,416	-434,130	-1,766,170
33	Receipts from investments...	-64,017	-35,383	-8,982	-28,715
34	Liquidation of Post Office Department liabilities.....	-2,371	...	...	...
35	Non-Federal sources:				
36	Mail and other postal services.....	-9,535,339	-10,595,474	-2,822,689	-11,969,784

PROGRAM AND FINANCING - Cont'd.

1/23/76

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND -- PROGRAM AND FINANCING - cont'd
 (thousands of dollars)

Line No.	ITEM	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
37	Other income and reimbursements.....				
38	Receipts from investments.....	-15,121	-15,796	-4,011	-15,071
39	Uncommitted balance available, start of period:	-45,177	-23,517	-5,970	-19,085
	Authority to spend agency debt receipts.....				
40	Fund balance.....	-8,335,285	-6,788,389	-4,605,371	-4,021,560
41	Uncommitted balance available, end of period:	-172,234	-234,270	-239,270	-239,270
42	Authority to spend agency debt receipts.....				
43	Fund balance.....	6,788,389	4,605,371	4,021,560	1,832,471
44	Adjustment in uncommitted balance.....	234,270	239,270	239,270	239,270
45	Relation of commitments to outlays:	-62,036	-5,000	....	....
46	Budget authority.....	....	....	....	....
47	Commitments incurred, net,...	1,546,896	2,183,018	583,811	2,189,089
48	Committed balance, start of period:				
49	Authority to spend agency debt receipts.....	914,715	1,461,591	2,364,609	2,448,420
50	Fund balance.....	937,805	825,577	383,533	191,207

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND -- PROGRAM AND FINANCING - cont'd
 (thousands of dollars)

No.	ITEM	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
51	Committed balance, end of period:				
52	Authority to spend agency debt receipts.....	-1,461,591	-2,364,609	-2,448,420	-3,239,509
53	Fund balance.....	-825,577	-383,533	-191,207	-128,436
54	Outlays.....	<u>1,112,248</u>	<u>1,722,044</u>	<u>692,326</u>	<u>1,460,771</u>

1/ Selected resources at year-end are as follows:

	1974 Actual	1975 Actual	1976 Estimate	Trans Qtr.	1977 Estimate
Inventories.....	22,534	30,028	30,028	30,028	30,028
Unpaid, undelivered orders.	116,388	125,547	125,547	125,547	125,547
Subtotal.....	<u>138,922</u>	<u>155,575</u>	<u>155,575</u>	<u>155,575</u>	<u>155,575</u>
Prior year adjustments during FY 1975.....	<u>143</u>	---	---	---	---
Adjusted balance.....	<u>139,065</u>	<u>155,575</u>	<u>155,575</u>	<u>155,575</u>	<u>155,575</u>
Change.....	---	<u>16,510</u>	---	---	---

PROGRAM AND FINANCING - Cont'd.

1/23/76

PUBLIC ENTERPRISE FUND
 POSTAL SERVICE FUND -- PROGRAM AND FINANCING - cont'd
 (thousands of dollars)

2/ Selected resources at year-end are as follows:

	1974 Actual	1975 Actual	1976 Estimate	Trans Qtr	1977 Estimate
Unpaid, undelivered orders.	735,210	670,845	830,819	846,054	1,292,372
Unpaid, delivered orders...	7,711	3,979	3,979	3,979	3,979
Mortgages payable.....	14,983	33,399	31,399	30,899	28,899
Adjustments to opening balance.....	38				
Total.....	<u>757,942</u>	<u>708,223</u>	<u>866,197</u>	<u>880,932</u>	<u>1,325,250</u>
Change.....	...	<u>-49,719</u>	<u>157,974</u>	<u>14,735</u>	<u>444,318</u>

1/23/76

PROGRAM AND FINANCING - Cont'd.

U. S. POSTAL SERVICE

The Postal Reorganization Act of 1970, converted the Post Office Department into the U.S. Postal Service, an independent establishment within the executive branch. The Postal Service commenced operations July 1, 1971. This agency is charged with providing patrons with reliable mail service at reasonable rates and fees.

The U.S. Postal Service is governed by an 11-member Board of Governors, including 9 Governors appointed by the President, 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 service and mail classification are final, subject to judicial review.

Programs. - Included are all postal activities providing window services; processing, delivery, and transportation of mail; research and development; administration of postal field activities; and associated expenses of providing facilities and financing.

Financing. - 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 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 1977 program for the U.S. Postal Service is based on an anticipated mail volume of 88.4 billion pieces compared to 88.0 billion estimated for 1976 and 89.3 billion for 1975.

Since 1973, transactions of the Postal Service Fund and the assets and liabilities of the U.S. Postal Service no longer appear within the totals of the U.S. budget. The schedules presented here reflect summary data on postal operations.

Section 2005 of the Postal Reorganization Act authorizes borrowing authority of \$10 billion with a yearly limitation of \$2 billion, of which not more than \$500 million may be used to cover operating expenses. As of September 30, 1977, it is expected that debts outstanding pursuant to this borrowing authority will amount to \$4.9 billion.

1/23/76

U. S. POSTAL SERVICE - Cont'd.

Operating.- Estimated receipts will total \$14.4 billion in 1977. This includes \$12.6 billion from mail and service revenue, \$47.8 million from investment income, \$1.8 billion from appropriations including \$54.1 million to cover unfunded liabilities of the Post Office Department and miscellaneous other income of \$20.6 million.

The 1977 projected revenue and operating receipts will not cover the estimated expense of processing 88.4 billion pieces of mail, resulting in a deficit of \$1,055.6 million. Recovery of accumulated (1972 through 1977) prior year losses will require an additional \$643.9 million in future annual revenues when amortized over a 7-year period.

BUDGET HIGHLIGHTS
Fiscal Year 1977

The Postal Service's budget for Fiscal Year 1977 reflects the following assumptions and objectives:

- Mail volume will reach 88,400 million pieces, an increase of 400 million pieces or a 0.45 percent increase over Fiscal Year 1976.
- A postage rate increase effective December 31, 1975, is reflected in this budget.
- Clerk productivity in 1976 will increase 7.0 percent over 1975 and increase 3.4 percent in 1977 over 1976.
- City carrier productivity, based on pieces delivered, will decrease 0.4 percent in 1976 and increase 1.8 percent in 1977.
- Over-all productivity, based on total man-years and pieces delivered, will increase 1.4 percent in 1976 and 2.0 percent in 1977.
- End-of-year employment for 1976 to be 679,499, a reduction 22,843 from 1975, and by end of Fiscal Year 1977 to be 679,436.
- Borrowing of \$1,280 million net in 1976 and \$1,398 million net in 1977 is included in the budget. Outstanding borrowing as of the end of 1977 is estimated to be \$4,928 million.
- 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 \$207,641,000 in 1975; \$354,376,000 in 1976; and \$385,863,000 in 1977. The supplemental appropriation of \$284,667,000 received in 1975 to cover amounts involving postal pay raises prior to July 1, 1973, is excluded from operating statements.
- Includes contingencies of \$547 million in FY 1976 and \$591 million in FY 1977.

1/26/76

BUDGET HIGHLIGHTS

BUDGET HIGHLIGHTS - Cont'd.

- Total revenues and subsidy appropriations for 1977 are estimated to be \$14.344 billion.
- Accrued costs are estimated to be \$15.400 billion for 1977—an increase of \$1,149 million or 8.1 percent over Fiscal Year 1976.
- An operating deficit is estimated to be \$1,056 million in 1977.
- A capital investment program for 1977 of \$1.364 billion in commitments, up \$410 million from 1976. Major components include \$893 million for building construction, purchases and improvements; \$207 million for mail processing equipment; \$135 million for vehicles; and \$129 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 is as follows for 1977:

Budgeted Expenditures (\$000)	Postal Service Budget	Annex to the Federal Budget	Difference
Payments.....	15,967,435	15,927,435	40,000
Cash Receipts (other than borrowing)	<u>-14,506,664</u>	<u>14,506,664</u>	....
Net Expenditures, Receipts (-).....	<u>-1,460,771</u>	<u>-1,420,771</u>	<u>-40,000</u>
Reconciliation of the amounts in the President's Budget with the Postal Service budget is as follows (in thousands of dollars):			
Net Income or Loss (-): President's Budget.....	-988,758	-1,532,067	-1,055,602
Supplemental Appropriation Now Requested.....	....	121,231	37,861
Net Income or Loss (-): Postal Service Budget.....	<u>-988,758</u>	<u>-1,410,836</u>	<u>-425,436</u>
1/Transition Quarter excludes workmen's compensation adjustment of \$20,212,000 for POD Liability.			

1/27/76
BUDGET HIGHLIGHTS Cont'd.

BUDGET HIGHLIGHTS Cont'd.
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
Filled positions (end of year).....	702,342	679,499	679,499	679,436
Man-years.....	693,253	673,743	168,535	663,720
	*****	*****		
Mail volume (millions of pieces).....	89,266	88,000	21,248	88,400
Mail volume (percent change over previous year).....	- 0.9%	- 1.4%	...	0.5%
Man-years (percent change over previous year).....	- 1.5%	- 2.8%	...	1.5%
Over-all productivity (percent change over previous year).....	0.6%	1.4%	- 3.5%	2.0%
	*****	*****		
(\$000)				
Revenue and operating receipts.....	11,682,007	12,840,333	3,401,164	14,344,425
Direct accrued costs.....	12,670,765	14,251,169	3,826,600	13,400,027
Net income or loss (-).....	- 988,758	-1,410,836	- 425,436	-1,055,602
	*****	*****		
Capital commitments.....	702,170	953,974	214,735	1,364,318
	*****	*****		
(\$000)				
Expenditure impact on Federal Government.....	2,704,693	3,430,460	1,126,456	3,236,941

BUDGET HIGHLIGHTS Cont'd.

1/25/76

STATEMENT OF REVENUE AND EXPENSE
(\$000)

Item	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
Revenue and operating receipts:				
Mail and service revenues.....	10,019,394	11,117,201	2,962,525	12,564,004
Investment income.....	109,194	58,900	14,952	47,800
Other income.....	20,485	19,729	5,008	20,555
Revenue other than subsidiaries.....	10,149,073	11,195,830	2,982,485	12,632,359
Receipts from appropriations 1/.....	1,532,834	1,644,503	418,679	1,712,066
Total revenue and operating receipts..	<u>11,682,007</u>	<u>12,840,333</u>	<u>3,401,164</u>	<u>14,344,425</u>

Operating expenses:

Payable from the Postal Service Fund, funded:				
Postal field operations.....	10,290,888	10,856,709	2,790,528	11,626,623
Transportation.....	769,236	795,293	192,332	872,430
Supplies and services.....	222,852	254,217	75,202	265,586
Administration and regional operations....	801,580	1,075,239	371,108	1,214,451
Building occupancy.....	364,064	415,902	120,257	453,557
Research and development.....	18,170	28,193	7,157	25,822
Service-wide expenses.....	54,795	107,731	69,533	130,518
Contingency.....		547,157	146,932	591,273
Total accrued costs.....	<u>12,521,585</u>	<u>14,080,441</u>	<u>3,773,049</u>	<u>15,180,260</u>

Other operating expenses (non-funded):

Depreciation and amortization of fixed assets.....	126,608	148,179	47,914	196,755
Expendable equipment and charge-offs.....	22,517	22,494	5,623	22,957
Amortization of debt discount and expense... Total other operating expenses (non-funded).....	<u>55</u>	<u>55</u>	<u>14</u>	<u>55</u>
Total operating expenses (deduct).....	149,180	170,728	53,551	219,767
Net operating income or loss (-) for year...	<u>12,670,765</u>	<u>14,251,169</u>	<u>3,826,600</u>	<u>15,400,027</u>
	- 988,758	-1,410,836	- 425,436	-1,055,602

1/22/76

STATEMENT OF REVENUE AND EXPENSE

STATEMENT OF REVENUE AND EXPENSE - CONTINUED
(\$000)

Item	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
Nonoperating income or loss (-) for year:				
Proceeds from sale of assets.....	11,382	11,064	2,809	11,064
Net book value of assets.....	- 11,382	- 11,064	- 2,809	- 11,064
Net income or loss (-) for the year.....	<u>-988,758</u>	<u>-1,410,836</u>	<u>-425,436</u>	<u>-1,055,602</u>
Additional revenue requirements for recovery				
of prior year losses:				
Prior-year losses.....	626,758	1,615,516	3,026,352	3,451,788
Change:				
Current year.....	988,758	1,410,836	425,436	1,055,602
Recovery of prior year losses.....	<u>1,615,516</u>	<u>3,026,352</u>	<u>3,451,788</u>	<u>4,507,390</u>
Balance end of year.....				

1/ Excludes appropriations under 39 U.S.C. 2004 for POD liabilities in 1975 of \$57,140,000, 1976 of \$68,913,000, transition quarter \$15,451,000; and 1977 \$54,104,000. Also excludes appropriations of \$284,667,000 in 1975 for contribution to fund deficit of the U. S. Civil Service Retirement and Disability Fund and \$5,000,000 in 1976 to establish a revolving fund for international air carriers. The amounts include (in \$000):

	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
Public service costs.....	920,000	920,000	230,000	920,000
Free and reduced-rate mail.....	612,934	724,503	188,679	792,066
Total receipts from appropriations.....	<u>1,532,934</u>	<u>1,644,503</u>	<u>418,679</u>	<u>1,712,066</u>

STATEMENT OF REVENUE AND EXPENSE Cont'd.

1/27/76

U. S. POSTAL SERVICE
Statement of Financial Condition (in thousands of dollars)

Assets:	1974	1975	1976	T. Q.	1977
	Actual	Actual	Estimate	Estimate	Estimate
Current Assets:					
Cash 1/.....	312,409	361,871	592,117	389,791	377,020
Investments.....	797,630	707,290	240,000	50,000	...
Accounts Receivable:					
U. S. Government agencies.....	590,748	160,218	206,218	206,818	210,818
Foreign countries.....	29,029	37,345	47,345	47,345	47,345
Interest.....	2,977	1,705	705	105	...
Other.....	9,336	4,290	9,290	9,290	9,395
Total.....	632,090	203,558	263,558	263,558	267,558
Less allowance for uncollectables..	-50,733	-5,766	-5,766	-5,766	-5,766
Accounts receivable, net.....	581,357	197,792	257,792	257,792	261,792
Inventories.....	22,534	30,028	30,028	30,028	30,028
Advances and prepayments.....	4,528	9,070	9,070	9,070	9,070
Total current assets.....	1,718,458	1,306,051	929,007	736,681	677,910
Other assets.....	4,772	4,954	4,899	4,885	4,830
Property and equipment, net.....	2,515,178	3,116,131	3,728,394	3,871,548	4,558,772
Deferred retirement costs.....	2,595,800	3,054,933	5,371,868	5,341,868	5,550,237
Total assets.....	6,834,208	7,482,069	10,034,168	9,954,982	10,791,749
Liabilities:					
Current Liabilities:					
Outstanding postal money orders.....	170,209	244,434	244,434	244,434	244,434
Accrued payroll.....	193,962	236,687	293,818	146,909	175,475
Payroll taxes and civil service retirement, including amounts withheld.....	452,962	185,439	234,097	233,006	247,089
Workmen's compensation 2/.....	33,326	55,904	69,580	74,580	84,580
Accounts payable to other Government agencies.....	117,803	95,117	119,117	177,117	199,117
Other accounts payable and accrued expenses.....	206,566	255,743	256,759	256,447	257,559

1/29/76

STATEMENT OF FINANCIAL CONDITION

U. S. POSTAL SERVICE
Statement of Financial Condition (in thousands of dollars) continued

	1974		1975		1976		1977	
	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate
Notes and mortgages payable $\frac{3}{4}$	500,000	353,746	221,746	353,746	353,746	353,746	529,746	529,746
Prepaid permit mail and box rentals	124,997	148,565	148,565	153,565	153,565	153,565	154,565	154,565
Estimated prepaid postage in hands of the public.....	368,000	383,000	383,000	468,000	469,000	469,000	472,000	472,000
Total current liabilities.....	2,167,825	1,826,635	1,826,635	2,193,116	2,108,804	2,108,804	2,364,565	2,364,565
Long-term debt:								
Notes payable $\frac{3}{4}$.....	...	1,280,000	1,280,000	2,428,000	2,928,000	2,928,000	4,160,000	4,160,000
U.S.P.S. bonds payable $\frac{3}{4}$	250,000	250,000	250,000	250,000	250,000	250,000	240,000	240,000
Mortgages payable.....	14,983	31,653	31,653	29,653	29,153	29,153	27,153	27,153
Total long-term debt.....	264,983	1,561,653	1,561,653	2,707,653	3,207,153	3,207,153	4,427,153	4,427,153
Other liabilities:								
Employees' accumulated leave $\frac{4}{4}$	485,085	505,485	505,485	523,010	523,100	523,100	544,100	544,100
Workmen's compensation claims $\frac{2}{4}$	196,628	380,265	380,265	511,573	486,795	486,795	652,683	652,683
Other claims and self-insurance.....	21,500	17,525	17,525	12,000	...	...	...	...
Amounts payable for retirement benefits.....	2,551,405	3,000,239	3,000,239	5,276,385	5,236,385	5,236,385	5,435,105	5,435,105
Total other liabilities.....	3,254,618	3,903,514	3,903,514	6,322,968	6,246,280	6,246,280	6,631,886	6,631,886
Total liabilities.....	5,687,426	7,291,802	7,291,802	11,223,737	11,562,237	11,562,237	13,423,606	13,423,606
Government Equity:								
Undelivered Orders:								
Operations.....	116,388	125,547	125,547	125,547	125,547	125,547	125,547	125,547
Capital investment.....	735,210	670,845	670,845	830,819	846,054	846,054	1,292,372	1,292,372
Total undelivered orders.....	851,598	796,392	796,392	956,366	971,601	971,601	1,417,919	1,417,919
Uncommitted balances:								
Authority to spend agency debt receipts.....	8,335,285	6,788,409	6,788,409	4,605,391	4,021,580	4,021,580	1,832,491	1,832,491
Total unexpended balance.....	9,186,883	7,584,801	7,584,801	5,561,757	4,993,181	4,993,181	3,250,410	3,250,410
Undrawn borrowing authorizations.....	-9,250,000	-8,250,000	-8,250,000	-6,970,000	-6,470,000	-6,470,000	-5,072,000	-5,072,000
Total funded balance.....	-63,117	-665,199	-665,199	-1,408,243	-1,476,819	-1,476,819	-1,821,590	-1,821,590

STATEMENT OF FINANCIAL CONDITION - Cont'd.

1/29/76

U. S. POSTAL SERVICE
Statement of Financial Condition (in thousands of dollars) continued

	1974 Actual	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
Receivable established for future appropriation.....	31,000	31,000	7,750	31,000	31,000
Investment in property, equipment and inventories, net.....	1,178,899	824,466	210,924	-161,436	-841,267
Total Government equity.....	<u>1,146,782</u>	<u>190,267</u>	<u>-1,189,569</u>	<u>-1,607,255</u>	<u>-2,631,857</u>
Total liabilities and equity...	<u>6,834,208</u>	<u>7,482,069</u>	<u>10,034,168</u>	<u>9,954,982</u>	<u>10,791,749</u>

Analysis of Changes in Government Equity (in thousands of dollars)

	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
Non-interest bearing capital:				
Start of year.....				
Transfers and prior year adjustments 5/.....	1,146,782	190,267	-1,189,569	-1,607,255
Net income or loss (-) for the year.....	32,243	31,000	7,750	31,000
Total.....	<u>-988,758</u>	<u>-1,410,836</u>	<u>-425,436</u>	<u>-1,055,602</u>
	<u>190,267</u>	<u>-1,189,569</u>	<u>-1,607,255</u>	<u>-2,631,857</u>

1/ Cash for FY 1974 and 1975 has been certified by public auditors as being correct. The Treasury Department's Combined Statement reflects a preliminary cash balance with a difference of \$9,333,750 from the audited statement.

2/ Workmen's compensation amounts reported for fiscal years 1974 through 1977 are being funded through the operations process (for post-June 30, 1971, injuries). The amounts reported under the other liabilities section of the balance sheet reflect the full accrued cost for injuries in the year in which they occur.

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STATEMENT OF FINANCIAL CONDITION - Cont'd.

U. S. POSTAL SERVICE
Statement of Financial Condition (in thousands of dollars) continued

3/ U. S. Postal Service bond and notes payable transactions in thousands:

	Issued	Retired	Total	Outstanding	Long-term
				Current	
6/30/74 Balance.....	1,500,000	500,000	750,000	500,000	250,000
6/30/75.....	1,500,000	220,000	1,750,000	220,000	1,530,000
6/30/76.....	500,000	352,000	3,030,000	352,000	2,678,000
9/30/76.....	1,750,000	352,000	3,530,000	352,000	3,178,000
9/30/77.....		4,928,000	4,928,000	528,000	4,400,000

4/ At the beginning of 1972, the Postal Service carried a liability of \$372,796 thousand from the former Post Office Department for earned and unused annual leave of postal employees. This liability 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.....	301,171	92,688	424,859
6/30/74.....	270,171	183,914	485,085
6/30/75.....	239,171	235,314	505,485
6/30/76.....	231,421	283,839	523,010
9/30/76.....	200,421	291,679	523,100
9/30/77.....		343,679	544,100

5/ The \$31,000 thousand in 1976 and 1977 and the \$7,750 thousand in the 1976 transition quarter represent 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 reflected in total in the Analysis of Changes in Government Equity are as follows:

	1975	1976	1977
	Actual	Estimate	Estimate
Previous unfunded liability of the Post Office Department.....	31,000	31,000	7,750
Other capital contributions.....	1,243	..	..
Total transfers and prior year adjustments.....	32,243	31,000	7,750
			31,000

1/29/76 STATEMENT OF FINANCIAL CONDITION - Cont'd.

U. S. POSTAL SERVICE
SOURCES AND APPLICATION OF FUNDS
(thousands of dollars)

Line No.		1975 Actual	1976 Estimate	TQ Estimate	1977 Estimate
1	Sources:				
2	Net profit or loss (-) from operations . . .				
3	Charges not requiring current outlay of working capital:				
4	Depreciation, amortization, non-fund costs	-988,758	-1,410,836	-425,436	-1,055,602
5	Increase, decrease (-) in provision for non-current workmen's compensation claims	149,180	170,728	53,551	219,767
6	Increase, decrease (-) in provision for self-insurance and other claims	183,637	131,308	-24,778	165,888
7	Increase in employees' accumulated annual leave	-3,975	-5,525	-12,000	.. .
8	Subtotal from operations	20,400	17,525	90	21,000
9	Decrease in working capital 1/	-639,516	-1,096,800	-408,573	-638,947
10	Proceeds of notes payable	349,471	611,525	108,014	138,532
11	Increase in mortgages payable	1,500,000	1,500,000	500,000	1,750,000
12	Appropriations for POD liabilities and CSC Retirement Fund deficit	18,416	.. .	.. .	.. .
13	Sales of assets	341,807	58,913	15,451	54,104
14	Increase in non-current amounts payable for retirement benefits	11,382	11,064	2,809	11,064
15	Capital contribution by U. S. Government	448,834	2,276,146	-40,000	198,720
16	Total	1,243	.. .	.. .	.. .
17		2,031,637	3,360,848	177,701	1,503,473
18					
19					
20					
21					
22					
23					

1/23/76

SOURCES AND APPLICATION OF FUNDS

U. S. POSTAL SERVICE
Sources and Application of Funds
(thousands of dollars)
— continued —

Line No.	Application	1975	1976	TQ	1977
		Actual	Estimate	Estimate	Estimate
24	Capital additions	761,460	794,000	199,500	918,000
25	Reduction of mortgage payable .....	..	2,000	500	2,000
26	Payment of note payable	500,000	220,000	..	352,000
27	Payment of POD liabilities and CSC .....	..	..	..	..
28	Retirement Fund deficit	310,807	27,913	7,701	23,104
29	Increase in other assets	237	..	..	..
30	Additions to deferred retirement costs	459,133	2,316,935	-30,000	208,369
31	Total	<u>2,031,637</u>	<u>3,360,848</u>	<u>177,701</u>	<u>1,503,473</u>
32					

1/ Current portion of notes and mortgages payable excluded from current liabilities.

1/13/76 SOURCES AND APPLICATION OF FUNDS - Cont'd.

FY 1977 BUDGET DESCRIPTION

The budget of the Postal Service for FY 1977 reflects a departure from previously submitted budgets. The FY 1977 budget has been modified to present operating costs on a cost segment basis in lieu of a program or quasi-cost segment basis.

The information being presented is in compliance with guidelines established by the Office of Management and Budget. Information being presented is also on a comparable format that may be crosswalked to our filing with the Postal Rate Commission.

The significant change from previously submitted budgets is in the format of information presented. Specifically, changes in costs from the previous year are identified with reference to cost level changes, mail volume effect, non-volume workload, cost reduction programs, and other programs.

Cost Level Changes:

Cost level changes reflect the impact on costs of price level changes for goods and services purchased and changes in personnel compensation and benefits resulting from known pay increases, estimated cost of living changes, and known changes in personnel benefits.

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FY 1977 BUDGET DESCRIPTION

FY 1977 BUDGET DESCRIPTION Cont'd.

Mail Volume Effect:

Mail volume effect reflects the impact on costs due to changes in mail volume.

Non-Volume Workload:

Non-volume workload reflects changes in costs due to variations in measurable workload other than mail volume.

Additional Workday:

Costs reflect variation in the number of workdays in a year.

Cost Reduction Programs:

Cost reduction programs reflect the net effect on costs of programs implemented or to be implemented with the objective of reducing costs.

Other Programs:

Other programs reflect the cost impact of non-operating programs. Examples are the research and development effort, accounting and reporting changes, and adjustments to base data or prior year costs.

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FY 1977 BUDGET DESCRIPTION Cont'd.

CATEGORY SUMMARY
OPERATING EXPENSES
1975 - 1977
(\$000)

CATEGORY	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
I Postal Field Operations.....	10,290,888	10,856,709	2,790,528	11,626,623
II Transportation.....	769,236	795,293	192,332	872,430
III Supplies and Services.....	222,852	254,217	75,202	265,586
IV Administration and Regional Operations.....	801,580	1,075,239	371,108	1,214,451
V Building Occupancy.....	364,064	415,902	120,257	453,557
VI Research and Development.....	18,170	28,193	7,157	25,822
VII Servicewide Expenses.....	54,795	107,731	69,533	130,518
VIII Capital Investment.....	702,170	953,974	214,735	1,364,318
IX Contingency.....	...	547,157	146,932	591,273
X Depreciation and Other Costs....	149,180	170,728	53,551	219,767
Subtotal.....	13,372,935	15,205,143	4,041,335	16,764,345
Less Capital Investment.....	- 702,170	- 953,974	- 214,735	- 1,364,318
Total Operating Expenses..	12,670,765	14,251,169	3,826,600	15,400,027
Change Over Prior Year.....	1,467,994	1,580,404	...	1,148,858
Percent Change.....	13.1%	12.5%	...	8.1%

1/23/76

CATEGORY SUMMARY - OPERATING EXPENSES

CATEGORY I
POSTAL FIELD OPERATIONS
RESOURCE SUMMARY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	689,186	666,318	666,318	666,255
2. Man-years.....	680,192	660,560	165,428	650,576
EXPENSES: (\$000):				
1. Postmasters.....	551,935	587,499	158,654	625,035
2. Supervisors and Technicians.....	850,659	900,678	231,157	1,026,685
3. Clerks and Mailhandlers, 1st and 2nd Class Offices.....	4,451,359	4,588,478	1,201,216	4,876,940
4. Clerks, 3rd Class Offices.....	1,426	54,886	14,741	55,947
5. Mobile Unit Clerks.....	47,623	1,728	523	1,805
6&7 City Delivery Carriers.....	2,837,006	3,034,423	743,244	3,175,775
8. Vehicle Drivers.....	98,145	107,497	27,941	110,501
9. Special Delivery Messengers.....	88,321	67,191	17,782	69,154
10. Rural Carriers.....	720,964	763,525	204,474	835,850
11. Custodial (Maintenance) Services.....	421,741	496,905	119,727	574,655
12. Motor Vehicle Maintenance.....	183,962	201,461	50,873	216,221
13. Miscellaneous Costs.....	57,747	53,038	20,196	55,055
Total Fiscal Year.....	10,290,888	10,856,709	2,790,528	11,626,623
Change Over Prior Year.....	970,323	565,821	...	769,914
Percent Change.....	10.4%	5.5%	...	7.1%

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CATEGORY I - POSTAL FIELD OPERATIONS-RESOURCE SUMMARY

CATEGORY I
POSTAL FIELD OPERATIONS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	689,186	666,318	666,318	666,255
2. Man-years.....	680,192	660,560	165,428	650,576
EXPENSES (\$000):				
1. Prior Fiscal Year.....	9,320,565	10,290,888	...	10,856,709
2. Changes:				
Cost level.....	1,058,443	861,068	36,988	934,526
Mail volume effect.....	- 131,818	- 148,991	...	12,570
Non-volume workload.....	58,452	76,852	...	7,068
Cost for additional day.....	12,069	11,868	...	- 13,934
Cost reduction programs.....	-	- 223,023	...	- 170,316
Other cost changes.....	38,164	- 11,953	...	...
Total Fiscal Year.....	10,290,888	10,856,709	2,790,528	11,626,623
Change Over Prior Year.....	970,323	565,821	...	769,914
Percent Change.....	10.4%	5.5%	...	7.1%

This category includes all activities covering postal field operations. Activities performed include window services, processing of mail, administration and support functions, delivery of mail-city delivery, rural delivery and special delivery-maintenance of equipment and facilities, maintenance of motor vehicles, and miscellaneous non-mail processing activities.

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CATEGORY I - POSTAL FIELD OPERATIONS

COST SEGMENT 1
POSTMASTERS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	30,078	30,022	30,022	30,020
2. Man-years.....	33,532	33,693	8,810	33,914
EXPENSES (\$000):				
1. Prior Fiscal Year.....	502,595	551,935	...	587,499
2. Changes:				
Cost level.....	65,865	40,690	1,744	35,248
Mail volume effect.....	- 732	- 725	...	75
Non-volume workload.....	- 2,621	- 1,590	...	4,130
Cost for additional day.....	1,700	1,807	...	- 1,917
Cost reduction programs.....	306	...	...	...
Other cost changes.....	- 15,178	- 4,618	...	...
Total Fiscal Year.....	551,935	587,499	158,654	625,035
Change Over Prior Year.....	49,340	35,564	...	37,536
Percent Change.....	9.8%	6.4%	...	6.4%

This cost segment includes administrative activities of all postmasters, sectional center managers, general managers at Bulk Mail Centers, and officers-in-charge. Costs include personnel compensation and benefits, and compensation for personnel serving as acting postmasters that are on leave.

Sources of Change
It is estimated that FY 1977 expenses will increase \$37,536,000 or 6.4 percent over FY 1976 and are detailed as follows:

Cost level increases:
Pay and benefits \$35,263,000
Travel and transportation of things -15,000

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COST SEGMENT 1 - POSTMASTERS

COST SEGMENT 1
 POSTMASTERS - Cont'd
 1975 - 1977

Mail volume effect	75,000	Cost for additional day; one less workday in 1977	-1,917,000
Non-volume workload, relating to the change in the number of post offices	4,130,000		

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COST SEGMENT 1 - POSTMASTERS Cont'd.

COST SEGMENT 2
SUPERVISORS AND TECHNICIANS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	39,401	39,637	39,637	40,210
2. Man-years.....	46,175	47,037	11,649	47,717
EXPENSES (\$000):				
1. Prior Fiscal Year.....	722,738	850,659	...	900,678
2. Changes:				
Cost level.....	78,105	54,877	2,258	121,339
Mail volume effect.....	- 8,621	-10,263	...	644
Non-volume workload.....	1,435	1,600	...	- 373
Cost for additional day.....	1,334	1,540	...	- 1,671
Cost reduction programs.....	13,386	22,775	...	6,068
Other cost changes.....	42,282	-20,510	...	...
Total Fiscal Year.....	850,659	900,678	231,157	1,026,685
Change Over Prior Year.....	127,921	50,019	...	126,007
Percent Change.....	17.7%	5.9%	...	14.0%

This segment includes personnel compensation and benefits, travel, and transportation of household effects covering all supervisors and technicians at post offices, sectional centers and Bulk Mail Centers. Costs of managers, superintendants and administrative personnel of Bulk Mail Centers are also included. Activities include accounting, engineering, nursing, first line supervisors paid under the Postal Management Schedule (PMS) and supervising craft personnel, and supervisors designated as "other supervisors and technicians" paid under the Postal Executive Schedule (PES).

This segment includes personnel compensation and benefits, travel, and transportation of household effects covering all supervisors and technicians at post offices, sectional centers and Bulk Mail Centers. Costs of managers, superintendants and administrative personnel of Bulk Mail Centers are also included. Activities include accounting, engineering, nursing, first line supervisors paid under the Postal Management Schedule (PMS) and supervising craft personnel, and supervisors designated as "other supervisors and technicians" paid under the Postal Executive Schedule (PES).

COST SEGMENT 2
 SUPERVISORS AND TECHNICIANS - Cont'd.
 1975 - 1977

Sources of Change: - It is estimated that FY 1977 operating expenses will increase \$126,007,000 or 14.0 percent over FY 1976 as follows:		
Cost level increases:		
Compensation and benefits, \$121,285,000		
Travel and transportation of household effects	54,000	
Mail volume effect	644,000	
		Non-volume workload
		- 373,000
		Cost for additional day which is one workday less in FY 1977
		-1,671,000
		Cost reduction programs:
		Bulk mail program, net
		Mail processing programs
		Total Cost Reduction
		9,278,000
		-3,210,000
		<u>6,068,000</u>

COST SEGMENT 3
 CLERKS AND MAILHANDLERS
 1ST- AND 2ND-CLASS
 POST OFFICES
 1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	309,402	284,535	284,535	283,535
2. Man-years.....	312,155	287,073	74,850	278,722
EXPENSES (\$000):				
1. Prior Fiscal Year.....	4,041,007	4,451,359	...	4,588,478
2. Changes:				
Cost level.....	439,213	421,531	18,931	430,077
Mail volume effect.....	- 92,053	- 102,930	...	8,810
Non-volume workload.....	2,239	1,140	...	- 2,680
Cost for additional day.....	- 12,922	- 183,096	...	- 147,745
Cost reduction programs.....	73,875	474	...	-
Other cost changes.....	4,451,359	4,588,478	1,201,216	4,876,940
Total Fiscal Year.....				
Change Over Prior Year.....	410,352	137,119	...	288,462
Percent Change.....	10.2%	3.1%	...	6.3%

This cost segment represents the compensation and benefits of clerks and mailhandlers at first and second-class post offices, sectional centers, and Bulk Mail Centers. Activities include mail processing-both incoming and outgoing, window services, administrative support and platform operations.

Sources of Change:
 It is estimated that FY 1977 expenses will increase \$288,462,000 or 6.3 percent over FY 1976 as follows:

Cost level increases:
 Compensation and benefits \$430,076,000
 Transportation of household effects 1,000

COST SEGMENT 3 - CLERKS AND MAILHANDLERS 1ST AND 2ND CLASS

COST SEGMENT 3
 CLERKS AND MAILHANDLERS
 1ST AND 2ND CLASS - Cont'd.
 1975 - 1977

Mail volume effect	8,810,000	Cost reduction program:	-107,527,000
Cost for additional day which is one less workday in FY 1977	-2,680,000	Bulk mail program-net	-37,993,000
		Methods improvement pro- gram	- 531,000
		Single position LSM's	- 1,694,000
		Model 500 direct feeder	-147,745,000
		Total Cost Reduction	<u><u>-147,745,000</u></u>

1/23/76 COST SEGMENT 3 - CLERKS AND MAILHANDLERS 1ST AND 2ND CLASS Cont'd.

COST SEGMENT 4
CLERKS, 3rd - CLASS OFFICES
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	15,611	15,346	15,346	15,384
2. Man-years.....	3,856	4,049	1,067	4,047
EXPENSES (\$000):				
1. Prior Fiscal Year.....	35,571	47,623	...	54,886
2. Changes:				
Cost level.....	4,584	5,315	202	4,086
Mail volume effect.....	- 743	- 1,432	...	24
Non-volume workload.....	.. 9	.. 48	...	.. 49
Cost for additional day.....	..	..	...	..
Cost reduction programs.....	..	..	...	..
Other cost changes.....	8,202	3,332	...	..
Total Fiscal Year.....	47,623	54,886	14,741	59,947
Change over prior year.....	12,052	7,263	...	4,061
Percent change.....	33.9%	15.3%	...	7.4%

Costs of this segment include the compensation and benefits for clerks assigned to third-class post offices. Third-class offices are small in size and are staffed by a postmaster with a few having one additional clerk. Part-time clerks work during periods of heavy activity and as a substitute for the postmaster on leave.

Sources of Change:

It is estimated that FY 1977 operating expenses will increase by \$4,061,000 or 7.4 percent as follows:

- Cost level:
 - Compensation and benefits \$4,086,000
 - Mail volume effect 24,000
- Cost for additional day which is one less workday for FY 1977 - 49,000

COST SEGMENT 4 - CLERKS, 3rd-CLASS OFFICES

1/25/76

COST SEGMENT 5
MOBILE UNIT CLERKS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	73	73	73	73
2. Man-years.....	80	98	26	98
EXPENSES (\$000):				
1. Prior Fiscal Year.....	1,453	1,426	...	1,728
2. Changes:				
Cost level	144	120	7	71
Mail volume effect	- 24	- 19	...	6
Non-volume workload .....	...	...	...	...
Cost for additional day .....	...	...	...	...
Cost reduction programs .....	...	...	...	...
Other cost changes	- 147	201	...	...
Total Fiscal Year	1,426	1,728	523	1,805
Change Over Prior Year	- 27	302	...	77
Percent Change	- 1.9%	21.2%	...	4.5%

Costs of this segment include compensation and benefits of mobile unit clerks and per diem allowances for nights spent away from home. Mobile unit clerks are postal employees who sort mail while it is in transit. There is now only one mobile unit route, between Washington, D. C. and New York City, New York. This function is necessary since it aids in providing

overnight mail service between these two cities, each trip taking approximately 4½ hours. Sources of Change:

It is estimated that operating costs for FY 1977 will increase \$77,000 or 4.5 percent as follows:
 Cost level changes:
 Pay and benefits increase \$71,000
 Mail volume effect 6,000

1/27/76

COST SEGMENT 5 - MOBILE UNIT CLERKS

COST SEGMENTS 6 AND 7
CITY DELIVERY CARRIERS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	197,076	195,010	195,010	194,217
2. Man-years.....	199,544	197,452	47,063	194,806
EXPENSES (\$000):				
1. Prior Fiscal Year.....	2,644,278	2,837,006	...	3,034,423
2. Changes:				
Cost level.....	280,772	265,031	9,418	184,479
Mail volume effect.....	- 23,482	- 22,874	...	3,909
Non-volume workload.....	39,765	44,056	...	- 10,001
Cost for additional day.....	2,595	2,878	...	- 3,002
Cost reduction programs.....	- 94,084	- 76,668	...	- 34,033
Other cost changes.....	- 12,838	- 15,006	...	...
Total Fiscal Year.....	2,837,006	3,034,423	743,244	3,175,775
Change Over Prior Year.....	192,728	197,417	...	141,352
Percent Change.....	7.3%	7.0%	...	4.7%

the delivery and collection of mail.

This segment includes costs for city delivery carriers involved in the delivery and preparation of mail. Activities cover the casing of mail for delivery, sequencing of parcels for delivery, sweeping of cases as required, and

Sources of change:
It is estimated that FY 1977 operating expenses will increase \$141,352,000 or 4.7 percent over FY 1976 as follows:

1/27/76

COST SEGMENTS 6 AND 7 - CITY DELIVERY CARRIERS

COST SEGMENTS 6 AND 7
CITY DELIVERY CARRIERS - Cont'd.
1975 - 1977

Cost level changes: Compensation and benefit increases	\$184,479,000	Cost for additional day reflects one less workday in FY 1977	- 3,002,000
Mail volume effect	3,909,000	Cost reduction program: Productivity improvement	-34,033,000
Non-volume workload	-10,001,000		

1/29/76 COST SEGMENTS 6 AND 7 - CITY DELIVERY CARRIERS Cont'd.

COST SEGMENT 8
VEHICLE DRIVERS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	6,352	6,459	6,459	6,301
2. Man-years.....	6,584	6,695	1,672	6,531
EXPENSES (\$000):				
1. Prior Fiscal Year.....	89,266	98,145	...	107,497
2. Changes:				
Cost level.....	9,507	8,923	465	5,801
Mail volume effect.....	...	...	...	...
Non-volume workload.....	324	348	...	351
Cost for additional day.....	666	599	...	- 2,446
Cost reduction programs.....	-1,618	518	...	...
Other cost changes.....	98,145	107,497	27,941	110,501
Total Fiscal Year.....				
Change Over Prior Year.....	8,879	9,352	...	3,004
Percent Change.....	9.9%	9.5%	...	2.8%

Costs of this segment include the compensation and benefits of vehicle service drivers. Vehicle drivers provide transportation of mail between inter-city stations, branches, post offices and other postal facilities driving USPS-owned or leased trucks.

Sources of Change:

It is estimated that FY 1977 operating costs will increase \$3,004,000 or 2.8 percent over FY 1976 as follows:

Cost level:
Pay and benefits increase \$5,801,000
Cost for additional day which is one less workday in 1977 - 351,000
Cost reduction program:
Bulk Mail Program - net 805,000
Automated vehicle scheduling -3,251,000
Total -2,446,000

1/24/76

COST SEGMENT 8, VEHICLE DRIVERS

COST SEGMENT 9
SPECIAL DELIVERY MESSENGERS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	3,991	3,499	3,499	3,432
2. Man-years.....	4,733	4,150	1,099	4,070
EXPENSES (\$000):				
1. Prior Fiscal Year.....	64,905	68,321	...	67,191
2. Changes:				
Cost level.....	7,107	6,110	223	3,322
Mail volume effect.....	-1,864	-5,852	...	-1,277
Non-volume workload.....	...	...	...	...
Cost for additional day.....	82	85	...	82
Cost reduction programs.....	...	-1,291	...	...
Other cost changes.....	-1,909	-182	...	...
Total Fiscal Year.....	68,321	67,191	17,782	69,154
Change Over Prior Year.....	3,416	-1,130	...	1,963
Percent Change.....	5.3%	-1.7%	...	2.9%

Included in this cost segment are costs covering activities of special delivery messengers. Costs cover personnel salaries and benefits, equipment maintenance allowance, and special delivery fees.

Sources of Change:

It is estimated that FY 1977 operating costs will increase \$1,963,000 or 2.9 percent over FY 1976 as follows:

1/24/76

COST SEGMENT 9 - SPECIAL DELIVERY MESSENGERS

COST SEGMENT 9
SPECIAL DELIVERY MESSENGERS Cont'd.
1975 - 1977

Cost level:		
Changes reflect increases in personnel compensation and benefits	\$3,312,000	
Equipment maintenance allowance	10,000	
Total	3,322,000	
		Mail volume effect
		Cost for additional day which is one less workday in FY 1977
		-1,277,000
		- 82,000

COST SEGMENT 10
RURAL CARRIERS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	51,638	51,658	51,658	51,690
2. Man-years.....	38,310	39,067	9,843	39,699
EXPENSES (\$000):				
1. Prior Fiscal Year.....	645,256	720,964	...	763,525
2. Changes:				
Cost level	109,543	1,476	1,820	60,013
Mail volume effect	- 2,945	- 2,687	...	343
Non-volume workload	12,045	12,131	...	14,012
Cost for additional day	2,024	2,031	...	- 2,043
Cost reduction programs	- 916	- 2,577	...	...
Other cost changes	-44,043	32,187	...	...
Total Fiscal Year	720,964	763,525	204,474	835,850
Change Over Prior Year	75,708	42,561	...	72,325
Percent Change	11.7%	5.9%	...	9.5%

This segment includes activities of rural carriers providing delivery service to rural patrons. Activities also include the selling of stamps, and money orders and other postal services normally pro-

vided at post offices.

Sources of Change:

It is estimated the FY 1977 operating costs will increase \$72,325,000 or 9.5 percent over FY 1976 as follows:

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COST SEGMENT 10 - RURAL CARRIERS

COST SEGMENT 10 - RURAL CARRIERS-CONTINUED

Cost level increases:		
Compensation and benefits	\$54,566,000	
Equipment maintenance allowance	5,447,000	
Mail volume effect	343,000	
		14,012,000
		-2,043,000

Non-volume workload
 Cost for additional day
 which is one less workday
 in FY 1977

COST SEGMENT 10 - RURAL CARRIERS Cont'd.

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COST SEGMENT 11
CUSTODIAL (MAINTENANCE) SERVICE
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	29,456	33,475	33,475	34,703
2. Man-years.....	28,841	34,343	7,727	33,978
EXPENSES (\$000):				
1. Prior Fiscal Year.....	354,547	421,741	...	496,305
2. Changes:				
Cost level.....	38,651	39,316	1,599	71,906
Mail volume effect.....	-	376	...	126
Non-volume workload.....	6,907	19,510	...	...
Cost for additional day.....	1,259	1,470	...	...
Cost reduction programs.....	23,101	19,461	...	- 1,522
Other cost changes.....	- 2,491	- 4,817	...	7,840
Total Fiscal Year.....	421,741	496,305	119,727	574,655
Change Over Prior Year.....	67,194	74,564	...	78,350
Percent Change.....	19.0%	17.7%	...	15.8%

This segment includes activities of personnel involved in cleaning and protection, and equipment and building maintenance.

Costs cover compensation and benefits, personnel related travel, transportation of household effects, and contract job cleaners.

COST SEGMENT 12
MOTOR VEHICLE SERVICE
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	5,179	5,683	5,683	5,772
2. Man-years.....	5,438	5,967	1,380	6,061
EXPENSES (\$000):				
1. Prior Fiscal Year.....	168,493	183,962	...	201,461
2. Changes:				
Cost level	23,765	14,685	283	16,011
Mail volume effect	- 1,061	- 1,780	...	- 97
Non-volume workload	1,619	1,771	...	- 662
Cost for additional day	355	371	...	- 492
Cost reduction programs	3,393	- 458	...	...
Other cost changes	-12,602	- 2,910	...	...
Total Fiscal Year	183,962	201,461	50,873	216,221
Change Over Prior Year	15,469	17,499	...	14,760
Percent Change	9.2%	9.5%	...	7.3%

This segment includes activities of vehicle maintenance and supervisory personnel. Costs cover compensation and benefits, personnel travel, contractual auto maintenance, vehicle supplies and materials, operating supplies and materials, and vehicle hire.

Sources of Change:
It is estimated that operating costs in FY 1977 will increase \$14,760,000 or 7.3 percent over FY 1976 as follows:

Cost level increases:
Pay and benefits 9,596,000
Personnel travel 1,000
Contractual auto maintenance 834,000
Vehicle supplies and materials 2,568,000
Operating supplies and materials 1,509,000
Vehicle hire 1,503,000

COST SEGMENT 12 - MOTOR VEHICLE SERVICE-CONTINUED

Mail volume effect	- 97,000	Cost for additional day is one	
Non-volume workload:		less workday in FY 1977	-492,000
Motorization of city delivery carriers	-662,000		

COST SEGMENT 12 - MOTOR VEHICLE SERVICE-CONTINUED

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COST SEGMENT 13
MISCELLANEOUS COSTS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	929	921	921	918
2. Man-years.....	944	936	242	933
EXPENSES (\$000):				
1. Prior Fiscal Year.....	50,456	57,747	...	53,038
2. Changes:				
Cost level.....	1,187	2,994	38	2,173
Mail volume effect.....	60	53	...	7
Non-volume workload.....	-	626	...	38
Cost for additional day.....	148	150	...	-
Cost reduction programs.....	2,083	- 1,768	...	125
Other cost changes.....	4,631	- 5,406	...	...
Total Fiscal Year.....	57,747	53,038	20,196	55,055
Change Over Prior Year.....	7,291	- 4,709	...	2,017
Percent Change.....	14.5%	-8.2%	...	3.8%

Costs of this segment include compensation and benefits for Mailbag Repair Centers and Depositories, Mail Equipment Shops, Postal Source Data Systems and the Maintenance Technical Support Center. Also included are:

- a) Contract stations providing postal services;
- b) Rental allowances paid at 4th-class post offices;
- c) Carfare, tolls and ferrage, including city delivery carrier drive-out agreements;

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- d) Training;
- e) Employee awards;
- f) Miscellaneous costs such as severance pay, consultants, accrued benefits for personnel under investigation, and Federal Reserve Bank Deposits.

Sources of Change:

It is estimated that operating costs in FY 1977 will increase \$2,017,000 or 3.8 percent over FY 1976 as follows:

COST SEGMENT 13 - MISCELLANEOUS COSTS

COST SEGMENT 13
MISCELLANEOUS COSTS - Cont'd.
1975 - 1977

Cost level increases:		
Pay and benefits	797,000	Mail volume effect
Contract stations	666,000	
Rental allowances, 4th-class		Non-volume workload:
P. O.'s	172,000	Carfare, drive-out agreements,
Carfare, tolls and ferriage	538,000	tolls, and ferriage
Total	2,173,000	Cost for additional day is one
		less day in FY 1977
		-125,000

7,000

797,000

666,000

172,000

538,000

2,173,000

Cost for additional day is one
less day in FY 1977

-125,000

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COST SEGMENT 13 - MISCELLANEOUS COSTS - Cont'd

CATEGORY II
TRANSPORTATION
RESOURCE SUMMARY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Domestic Airmail.....	216,851	226,538	55,218	246,889
2. Foreign Airmail.....	51,568	55,368	13,508	60,731
3. Railroad Services.....	117,067	112,999	27,656	123,762
4. Foreign Water Services.....	62,817	56,453	12,940	60,512
5. Domestic Water Services.....	4,822	5,464	862	5,901
6. Intercity Highway Services.....	286,244	315,344	76,353	348,949
7. Intracity Highway Services.....	29,849	23,101	5,789	25,660
8. Employee Awards.....	18	26	6	26
Total Operating Expense.....	769,236	795,293	192,332	872,430
Change Over Prior Year.....	69,415	26,057	...	77,137
Percent Change.....	9.9%	3.4%	...	9.7%

This category provides for local, intercity, and international transportation of mail. This includes domestic transportation of mail by air, foreign airmail, railroad service, foreign water service, domestic water service, and highway service. Employee awards for transportation are also included. The costs of military airmail are reimbursed by the Department of Defense and are therefore excluded from total expenses.

CATEGORY II
TRANSPORTATION
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Prior Fiscal Year.....	699,821	769,236	...	795,293
2. Changes:				
Cost level	52,583	75,891	...	73,674
Mail volume effect	-23,058	-19,890	...	3,463
Non-volume workload .....	...	...	...	...
Cost for additional day	103	125	...	...
Cost reduction programs	185	-12,779	...	...
Other cost changes	39,602	-17,290	...	...
Total Fiscal Year	769,236	795,293	192,332	872,430
Change Over Prior Year	69,415	26,057	...	77,137
Percent Change	9.9%	3.4%	...	9.7%

The FY 1977 operating expense are estimated to exceed the FY 1976 level by \$77,137,000. Of that amount, \$73,674,000 is associated with cost level increases, while the remaining \$3,463,000 is a result of mail volume effect.
 Cost level change:
 Cost changes by transportation mode are as follows:

Domestic airmail \$17,230,000
 Foreign airmail 3,406,000
 Railroad services 12,023,000
 Water services: foreign 4,127,000
 domestic 503,000
 Highway service: intracity 33,977,000
 intracity 2,408,000
 Total Cost level change 73,674,000

CATEGORY II - TRANSPORTATION - CONTINUED

Mail volume effect:
 The effect of mail volume changes on costs
 is as follows:

Domestic airmail	3,121,000
Foreign airmail	1,957,000
Railroad services	-1,260,000
Water services:	
foreign	68,000
domestic	66,000
Highway services:	
intercity	372,000
intracity	151,000
Total mail volume effect	<u>3,463,000</u>

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CATEGORY II - TRANSPORTATION - CONTINUED

CATEGORY III
SUPPLIES AND SERVICES
RESOURCE SUMMARY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	561	563	563	563
2. Man-years.....	572	574	147	574
EXPENSES (\$000):				
1. Supply Center Personnel.....	8,605	9,111	2,427	9,622
2. ADP.....	13,645	13,468	3,600	14,147
3. Equipment (excludes ADP).....	8,774	9,365	2,504	9,842
4. Custodial.....	8,561	9,139	2,444	9,576
5. Buildings.....	14,356	15,326	4,098	16,107
6. Printing and Reproduction.....	9,603	9,625	2,573	10,138
7. Accountable Paper.....	31,498	33,333	8,985	34,880
8. Postal Supplies and Services.....	153,668	181,613	48,571	191,169
9. Reimbursements and Other.....	-25,858	-26,763	...	-29,895
Total Operating Expense.....	222,852	254,217	75,202	265,586
Change Over Prior Year.....	84,166	31,365	...	11,369
Percent Change.....	60.7%	14.1%	...	4.5%

This cost segment includes three basically different types of costs: (1) personnel costs for certain field activities, (2) contractual service functions for data processing and other maintenance contracts, and (3) purchased materials and supplies for operations and minor building maintenance.

CATEGORY III
SUPPLIES AND SERVICES
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	561	563	563	563
2. Man-years.....	572	574	147	574
EXPENSES (\$000):				
1. Prior Fiscal Year.....	138,686	222,852	...	254,217
2. Changes:				
Cost level.....	35,433	14,389	2,585	12,336
Mail volume effect.....	-	-	...	-
Non-volume workload.....	12	275	...	53
Cost for additional day.....	...	...	...	...
Cost reduction programs.....	742	839	...	914
Other cost changes.....	7,403	20,419	...	...
Total Fiscal Year.....	40,600	-4,007	...	...
Change Over Prior Year.....	222,852	254,217	75,202	265,586
Percent Change.....	84,166	31,365	...	11,369
	60.7%	14.1%	...	4.5%

This cost segment reflects an increase of \$11,369,000 of which \$12,336,000 is related with cost and price level changes, a decrease of \$53,000 related with volume variability, and a decrease of \$914,000 related with the difference of one less workday in FY 1977.

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CATEGORY III - SUPPLIES AND SERVICES

CATEGORY IV
ADMINISTRATION AND
REGIONAL OPERATIONS
RESOURCE SUMMARY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	12,596	12,618	12,618	12,618
2. Man-years.....	12,489	12,609	2,960	12,570
EXPENSES (\$000):				
1. Headquarters Administration.....	94,144	101,913	28,003	106,861
2. Regional Administration.....	59,926	63,671	15,987	66,511
3. Law Enforcement.....	111,707	120,308	26,679	126,853
4. Administration of Postal Rates.....	2,132	2,957	523	3,049
5. General Administrative.....	533,671	786,390	299,916	911,177
Total Fiscal Year.....	801,580	1,075,239	371,108	1,214,451
Change Over Prior Year.....	340,941	273,659	...	139,212
Percent Change.....	74.0%	34.1%	...	12.9%

The costs of this segment include compensation and benefits associated with employees at national headquarters, the five regional headquarters, law enforcement offices, and the Postal Rate Commission. Also included are nationwide personnel-related costs of repricing of annual leave, Civil Service Retirement Fund deficit payments, and workmen's compensation. Remaining costs relate to interest expense and various smaller accounts.

The most significant cost changes projected for 1977 over 1976 are:

- Increase in interest expense \$62,121,000
- Increase in payment to the Civil Service Retirement Fund Deficit 31,487,000
- Personnel cost increases 14,425,000
- Adjustment in 1976 base 30,445,000

CATEGORY IV
ADMINISTRATION AND
REGIONAL OPERATIONS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	12,595	12,618	12,618	12,618
2. Man-years.....	12,489	12,609	2,960	12,570
EXPENSES (\$000):				
1. Prior Fiscal Year.....	460,639	801,580	...	1,075,239
2. Changes:				
Cost level.....	147,532	189,513	...	44,486
Mail volume effect.....	- 1,359	- 3,169	...	337
Non-volume workload.....	578	1,507	...	143
Cost for additional day.....	1,017	1,284	...	- 942
Cost reduction programs.....	- 1,711	- 4,763	...	...
Other cost changes.....	- 193,884	- 89,287	...	95,188
Total Fiscal Year.....	801,580	1,075,239	371,108	1,214,451
Change over prior year.....	340,941	273,659	...	139,212
Percent change.....	74.0%	34.1%	...	11.5%

The items making up the total change of \$139,212,000 in 1977 over 1976 are detailed as follows:

Cost level increases:

- Pay and benefit increases \$14,095,000
- Travel and household moves 1,272,000
- Repricing of annual leave 8,639,000
- Payment to Civil Service Retirement Fund Deficit 28,782,000

Supplies and services -8,280,000

Insurance claims and indemnities - 22,000

Mail volume effect (\$337,000)

Non-volume workload (\$143,000)

Both items relate to the payment of the Civil Service Retirement Fund Deficit 480,000

CATEGORY IV
 ADMINISTRATION AND
 REGIONAL OPERATIONS - cont'd.
 1975 - 1977

Cost for additional day: One less workday in 1977	- 942,000	Interest expense increase	62,121,000
Other cost changes: Payment to Civil Service Retirement Fund Deficit	2,225,000	Change in reimbursements Adjustment in 1976 base	397,000 30,445,000

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CATEGORY IV - ADMINISTRATION AND REGIONAL OPERATIONS - cont'd.

CATEGORY IV
A&EO - I
HEADQUARTERS ADMINISTRATION
1975 - 1977
(\$000)

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	4,311	4,328	4,328	4,328
2. Man-years.....	4,286	4,371	1,120	4,368
EXPENSES (\$000):				
1. Prior Fiscal Year.....	70,743	94,144	...	101,913
2. Changes:				
Cost level.....	9,225	7,795	...	5,281
Mail volume effect.....	...	...	...	...
Non-volume workload.....	...	...	...	...
Cost for additional day.....	357	389	...	- 333
Cost reduction programs.....	...	...	...	...
Other cost changes.....	13,819	- 415	...	...
Total Fiscal Year.....	94,144	101,913	28,003	106,861
Change Over Prior Year.....	23,401	7,769	...	4,948
Percent Change.....	33.1%	8.3%	...	4.9%

Headquarters administration includes the costs of all employees at national headquarters with the exception of personnel in the law enforcement area. These costs cover the Postmaster General and Executive Offices and the five main functional groups, each of which is headed by a Senior Assistant Postmaster General. The groups are: finance, administration, operations, manpower and cost control, and employee and labor relations. A number of field activities which report to Headquarters are also included. Examples of the larger field activities are Postal Data Centers, Postal Service Training and Development Institute, and the Los Angeles Test Center.

Headquarters administration includes the costs of all employees at national headquarters with the exception of personnel in the law enforcement area. These costs cover the Postmaster General and Executive Offices and the five main functional groups, each of which is headed by a Senior Assistant Postmaster General. The groups are: finance, admin-

CATEGORY IV
A&RO - 1
HEADQUARTERS ADMINISTRATION - Continued
1975 - 1977

The items making up the total change of \$4,948,000 in 1977 over 1976 are detailed as follows:

Travel and household moves	431,000
Cost for additional day:	
One less workday in 1977	-333,000

Cost level changes:

Pay and benefit increases \$4,850,000

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HEADQUARTERS ADMINISTRATION - Continued

CATEGORY IV
A&RO - 2
REGIONAL ADMINISTRATION
1975 - 1977
(\$000)

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	2,445	2,445	2,445	2,445
2. Man-years.....	2,395	2,404	2,587	2,395
EXPENSES (\$000):				
1. Prior Fiscal Year.....	49,560	59,926	...	63,671
2. Changes:				
Cost level.....	5,574	4,110	...	3,048
Mail volume effect.....	...	...	...	...
Non-volume workload.....	180	243	...	...
Cost for additional day.....	...	...	...	...
Cost reduction programs.....	4,612	- 608	...	...
Other cost changes.....	59,926	63,671	15,987	66,511
Total Fiscal Year.....	10,366	3,745	...	2,840
Change Over Prior Year.....	20.9%	6.2%	...	4.5%
Percent Change.....				

Regional administration includes costs associated with the overall regional direction and administration of regional postal operations. These costs cover the salaries, benefits and other costs related to the field employees who are under the direction of the Regional Postmaster General, including the district administrative staff.

The items making up the total change of \$2,840,000 in 1977 over 1976 are detailed as follows:

Cost level changes:
Pay and benefit increases \$2,655,000
Travel and household moves 393,000
Cost of additional day:
One less workday - 208,000
in 1977

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REGIONAL ADMINISTRATION

CATEGORY IV
A&RO - 3
LAW ENFORCEMENT
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	5,754	5,755	5,755	5,755
2. Man-years.....	5,723	5,745	1,235	5,718
EXPENSES (\$000):				
1. Prior Fiscal Year.....	95,008	111,707	...	120,308
2. Changes:				
Cost level.....	10,181	9,612	...	6,938
Mail volume effect.....	...	...	...	...
Non-volume workload.....	...	...	...	...
Cost for additional day.....	345	392	...	393
Cost reduction programs.....	...	...	...	...
Other cost changes.....	6,173	- 1,403	...	...
Total Fiscal Year.....	111,707	120,308	26,679	126,853
Change Over Prior Year.....	16,699	8,601	...	6,545
Percent Change.....	17.6%	7.7%	...	5.4%

Law enforcement includes costs associated with 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 loss 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 also included. The costs for this activity are associated with the following groups of employees: postal inspectors, security force, special investigators, and administrative personnel.

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LAW ENFORCEMENT

CATEGORY IV
A&RO - 3
LAW ENFORCEMENT-CONTINUED
1975 - 1977

The items making up the total change of \$6,545,000 in 1977 over 1976 are detailed as follows:

Cost level changes:

Pay and benefit increases...\$6,491,000

Travel and household moves
Cost for additional day:

447,000

One less workday
in 1977

-393,000

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LAW ENFORCEMENT - Continued

CATEGORY IV
A&RO - 4
ADMINISTRATION OF POSTAL RATES
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	85	90	90	90
2. Man-years.....	85	89	18	89
EXPENSES (\$000):				
1. Prior Fiscal Year.....	1,726	2,132	...	2,957
2. Changes:				
Cost level.....	169	139	...	100
Mail volume effect.....	...	...	...	...
Non-volume workload.....	...	...	...	...
Cost for additional day.....	7	9	...	8
Cost reduction programs.....	...	...	...	...
Other cost changes.....	230	677	...	...
Total Fiscal Year.....	2,132	2,957	523	\$,049
Change Over Prior Year.....	406	825	...	92
Percent Change.....	23.5%	38.7%	...	3.1%

Administration of postal rates includes salaries, benefits, and other costs associated with employees of the Postal Rate Commission which is an independent organization headed by five Commissioners appointed by the President.

The items making up the total changes of \$92,000 in 1977 over 1976 are

detailed as follows:

- Cost level changes:
 - Pay and benefit increases \$99,000
 - Travel and transportation of persons 1,000
 - Cost for additional day:
 - One less workday in 1977 -8,000

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ADMINISTRATION OF POSTAL RATES

CATEGORY IV
A&RO - 5
GENERAL ADMINISTRATIVE
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Prior Fiscal Year.....	243,602	533,671	...	786,390
2. Changes:				
Cost level.....	122,383	167,857	...	29,119
Mail volume effect.....	- 1,359	- 3,169	...	337
Non-volume workload.....	1,578	1,507	...	143
Cost for additional day.....	128	251	...	...
Cost reduction programs.....	- 711	- 4,763	...	...
Other cost changes.....	169,050	91,036	...	95,188
Total Fiscal Year.....	533,671	786,390	299,916	911,177
Change Over Prior Year.....	290,069	252,719	...	124,787
Percent Change.....	119.1%	47.4%	...	15.9%

The items making up the total change of \$124,787,000 in 1977 over 1976 are detailed as follows:

Cost level changes:
 Repricing of annual leave \$ 8,639,000
 Payment to Civil Service
 Retirement Fund Deficit 28,782,000
 Supplies and services -8,280,000
 Insurance claims and indemnities - 22,000

General administrative costs are associated with the following items: repricing of annual leave due to salary increases, contribution to the Civil Service Retirement Fund deficit, contributions for workmen's compensation, supplies and services, insurance claims and indemnities, and interest expense.

GENERAL ADMINISTRATIVE

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CATEGORY IV
A&EO - 5
GENERAL ADMINISTRATIVE - CONTINUED
1975 - 1977

Mail volume effect (\$337,000)	Interest expense increase	62,121,000
Non-volume workload (\$143,000)	Change in reimbursements	397,000
Both items relate to payment to the Civil Service Retirement Fund Deficit	Adjustment in 1976 base	30,445,000
480,000		
Other cost changes:		
Payment to Civil Service Retirement Fund Deficit		
2,225,000		

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GENERAL ADMINISTRATIVE - CONTINUED

CATEGORY V
BUILDING OCCUPANCY
RESOURCE SUMMARY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Rents.....	214,121	231,781	67,015	247,317
2. Fuel.....	19,416	24,500	7,084	28,354
3. Utilities.....	80,765	106,701	30,856	123,489
4. Communications.....	27,187	32,430	9,377	35,150
5. Building Projects Expensed.....	23,436	20,990	6,069	19,851
6. Moving Expense.....	221	669	193	744
7. Reimbursements.....	- 1,082	- 1,169	- 337	- 1,348
Total Operating Expense.....	364,064	415,902	120,257	453,557
Change Over Prior Year.....	38,072	51,838	...	37,655
Percent Change.....	11.7%	14.2%	...	9.1%

Building occupancy costs cover renting and leasing of postal facilities, reimbursement for owned facilities leased

to others; the cost of fuel, utilities, and communications; building improvement expenses, and moving expenses.

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CATEGORY V - BUILDING OCCUPANCY - RESOURCE SUMMARY

CATEGORY V
BUILDING OCCUPANCY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Prior Fiscal Year.....	325,992	364,064	...	415,902
2. Changes:				
Cost level.....	11,080	31,619	5,575	32,102
Mail volume effect.....	...	...	...	...
Non-volume workload.....	5,606	13,372	...	7,886
Cost for additional day.....	79	440	...	...
Cost reduction programs.....	4,332	8,966	...	...
Other cost changes.....	16,975	- 2,559	...	75
Total Fiscal Year.....	364,064	415,902	120,257	- 2,408
Change Over Prior Year.....	38,072	51,838	...	37,655
Percent Change.....	11.7%	14.2%	...	9.1%

The cost of this segment reflects an increase of \$37,655,000 in FY 1977. Of this increase \$32,102,000 is related with cost and price level changes; an increase of \$7,886,000 in non-volume workload based on annual changes in square feet of space; an increase of \$75,000 in cost reduction programs and a decrease of \$2,408,000 in other program costs related to the Working Conditions Improvement Program and other building projects expensed.

CATEGORY V
BUILDING OCCUPANCY - Cont'd.
1975 - 1977

Cost level change-the cost level increase of \$32,102,000 includes the following:		
Rents:		
Private lessors	\$10,422,000	
Other Government Agencies	1,402,000	
Tax payments	1,680,000	
Other payments	61,000	
Less: payments from GSA	-1,411,000	
Subtotal Rents	12,154,000	
Fuel	3,014,000	
Utilities	13,124,000	
Communications	3,989,000	
Reimbursements	- 179,000	
Total Cost Level Changes	32,102,000	
		Non-volume Workload
		\$7,886,000
		Cost Reduction Programs
		75,000
		Other cost changes:
		Building projects expensed
		-1,139,000
		-1,269,000
		-2,408,000
		Total Other Cost Changes

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CATEGORY V, BUILDING OCCUPANCY - Cont'd.

CATEGORY VI
RESEARCH AND DEVELOPMENT
RESOURCE SUMMARY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Contract Engineering.....	322	5,110	1,297	5,110
2. Research and Development Contracts.....	9,052	22,720	5,768	20,296
3. Postal Laboratory.....	355	363	92	416
4. Changes in Resources on Order.....	8,441	...	...	...
Total.....	18,170	28,193	7,157	25,822
Change Over Prior Year.....	-22,089	10,023	...	-2,371
Percent Change.....	- 54.9%	55.2%	...	- 8.4%

This segment provides for engineering services which relate to office layout and building specifications, research and development programs aimed at

improving service, reducing cost, and providing an adequate working environment, and a laboratory utilized in performing research and development.

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CATEGORY VI - RESEARCH AND DEVELOPMENT - RESOURCE SUMMARY

CATEGORY VI
RESEARCH AND DEVELOPMENT
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Prior Fiscal Year.....	40,259	18,170	...	28,193
2. Changes:				
Cost level .....	...	...	...	...
Mail volume effect .....	...	...	...	...
Non-volume workload .....	...	...	...	...
Cost for additional day .....	...	...	...	...
Cost reduction programs .....	...	...	...	...
Other cost changes	-22,089	10,023	...	-2,371
Total Fiscal Year	18,170	28,193	7,157	25,822
Change Over Prior Year	-22,089	10,023	...	-2,371
Percent Change	-54.9%	55.2%	...	-8.4%

The FY 1977 expenses are estimated to be less than the FY 1976 level by \$2,371,000. Research and Development Contracts: A decrease of \$2,566,000 in contractual services relating to various R&D projects is partially offset by increases of \$40,000

in rental of experimental equipment and \$102,000 for supplies and materials. The net result is a reduction of \$2,424,000 in research and development contracts. Postal Laboratory: An increase of \$53,000 is projected for postal laboratory utility expenses.

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CATEGORY VI - RESEARCH AND DEVELOPMENT

CATEGORY VII
SERVICEWIDE EXPENSES
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Prior fiscal year.....	101,931	54,795	...	107,731
2. Changes:				
Cost level.....	2,384	25,833	...	22,301
Mail volume effect.....	1,145	-4,080	...	-2,976
Non-volume workload.....	1,588	...	...	...
Cost for additional day.....	...	...	...	...
Cost reduction programs.....	...	...	...	...
Other cost changes.....	-52,253	31,183	...	3,462
Total Fiscal Year.....	54,795	107,731	69,533	130,518
Change Over Prior Year.....	-47,136	52,936	...	22,787
Percent Change.....	-46.2%	96.6%	...	21.2%

This segment reflects costs that are not identifiable with a specific activity. Included are costs of mail indemnities,

damage claims, unemployment compensation advertising costs, bad debt expenses, and costs of embossed envelopes.

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CATEGORY VII - SERVICEWIDE EXPENSES

CATEGORY VIII
CAPITAL INVESTMENT - RESOURCE SUMMARY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions . . . . .	...	...	...	...
2. Man-years . . . . .	...	...	...	...
COMMITMENTS (\$000):				
A. Facilities	472,677	667,720	184,444	892,906
B. Mail Processing Equipment	134,782	139,205	24,034	207,312
C. Vehicles	78,123	78,993	116	135,415
D. Customer Services Equipment	17,440	27,843	1,591	84,033
E. Postal Support Equipment	32,094	40,213	4,550	44,652
TOTAL COMMITMENTS:	735,116	953,974	214,735	1,364,318
Less prior year adjustments	-32,946	...	...	...
DIRECT COMMITMENTS:	702,170	953,974	214,735	1,364,318
EXPENDITURES:	751,889	796,000	200,000	920,000
ACCRUED COSTS: . . . . .	...	...	...	...

Facilities

Planned commitments for this category include requirements for the construction of USPS owned buildings, purchase of existing buildings, and improvements to existing owned and/or leased buildings. Over 93 percent of the total facilities

category is required for the construction of new USPS buildings, which will replace and consolidate older and less economical facilities. The remaining 6.8 percent is to update occupied facilities to achieve established service standards, maintain employees' environmental and operational standards.

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CATEGORY VIII - CAPITAL INVESTMENT - RESOURCE SUMMARY

CATEGORY VIII
 CAPITAL INVESTMENT - RESOURCE SUMMARY - Cont'd
 1975 - 1977

Mail Processing Equipment

This sub-category includes fixed mechanization, non-fixed mechanization and other mail handling equipment. Fixed mechanization is custom made to meet requirements for a particular mail handling operation and specific building. Non-fixed mechanization consists of automated modules of equipment such as letter sorting machines, portable conveyors, culling machines and cancelling machines. This program is directed towards reducing costs in mail processing operations.

Vehicles

The vehicle program consists of four vehicle requirement categories: carrier motorization and bulk transfer vehicles for delivery and intra-inter city transport of the mails; law enforcement vehicles for postal inspector surveillance, and other vehicles such as those used for the maintenance of vehicles and buildings.

Planned vehicle procurements to meet replacement and new service for 1976 and 1977 are:

	Number of Units	
	1976	1977
<u>Service Requirement</u>	<u>13,198</u>	<u>10,006</u>
Replacement Vehicles	13,198	10,006
New Service Vehicles	<u>1,493</u>	<u>5,132</u>
Total Procurement	<u>14,691</u>	<u>15,138</u>
<u>Customer Service Equipment</u>		

This equipment supports post office lobby, window and self-service programs. The Postal Service's objective with the program is to attain new and improved services to customers in the retail area.

Postal Support Equipment

Support equipment consists of such items as office machines and furniture, maintenance equipment, and automatic data processing equipment.

CATEGORY VIII
CAPITAL INVESTMENT
1975 - 1977
(\$000)

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
<u>Facilities:</u>				
Construction.....	262,817	542,845	158,775	830,834
Building purchase.....	22,465	20,264	5,777	1,493
Building improvements.....	187,395	104,611	19,892	60,579
Subtotal.....	472,677	667,720	184,444	892,906
<u>Mail Processing Equipment:</u>				
Fixed mechanization.....	83,919	69,958	9,878	114,312
Non-fixed mechanization.....	37,066	56,593	12,940	79,588
Other mail handling equipment.....	13,797	12,654	1,216	13,412
Subtotal.....	134,782	139,205	24,034	207,312
<u>Vehicles:</u>				
Carrier motorization.....	42,770	32,045	...	90,244
Bulk transfer.....	30,838	36,378	...	33,747
Law enforcement.....	244	718	...	307
Other vehicles.....	2,215	6,237	82	5,843
Vehicle auxiliary equipment.....	102	506	34	334
Freight - motor vehicles.....	1,954	3,109	...	4,940
Subtotal.....	78,123	78,993	116	135,415

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CATEGORY VIII - CAPITAL INVESTMENT

CATEGORY VIII
CAPITAL INVESTMENT-Cont'd
1975 - 1977
(\$000)

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
<u>Customer Services Equipment:</u>				
Lobby equipment.....	12,818	1,098	178	945
Window service equipment.....	4,549	12,851	872	76,279
Self-service equipment.....	73	13,894	541	6,809
Subtotal.....	17,440	27,843	1,591	84,033
<u>Postal Support Equipment:</u>				
Administrative and general support.	16,429	18,620	2,763	13,708
Maintenance equipment.....	7,503	8,212	846	5,944
Automatic data processing.....	3,855	9,781	41	21,180
Freight (other than vehicles).....	4,307	3,600	900	3,820
Subtotal.....	32,094	40,213	4,550	44,659
Total Capital Investment.....	735,116	953,974	214,735	1,364,318

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CATEGORY VIII - CAPITAL INVESTMENT - Cont'd

CATEGORY IX
CONTINGENCY
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....
2. Man-years.....
EXPENSES (\$000):				
1. Prior Fiscal Year.....	547,157
2. Changes:				
Cost level.....
Mail volume effect.....
Non-volume workload.....
Cost for additional day.....
Cost reduction programs.....
Other cost changes.....	...	547,157	...	44,116
Total Fiscal Year.....	...	547,157	146,932	591,273
Change Over Prior Year.....	...	547,157	...	44,116
Percent Change.....	8.06%

This segment reflects the estimated contingency amounts required to cover unexpected postal costs equal to 4 percent of the total accrued costs. The amounts included are \$547.2 million for FY 1976 and \$591.3 million for FY 1977.

The Postal Reorganization Act of 1970, Public Law 91-375, provides for the inclusion of a reasonable provision for contingencies in total estimated costs.

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CATEGORY IX - CONTINGENCY

CATEGORY X
DEPRECIATION AND OTHER COSTS
1975 - 1977

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
MANPOWER:				
1. Positions.....	...	...	...	...
2. Man-years.....	...	...	...	...
EXPENSES (\$000):				
1. Prior Fiscal Year.....	105,930	149,180	...	170,728
2. Changes:				
Cost level.....	3,436	5,543	...	1,486
Mail volume effect.....	234	- 4,573	...	34
Non-volume workload.....	346	466	...	- 172
Cost for additional day.....	67	73	...	...
Cost reduction programs.....	3,934	6,769	...	1,474
Other cost changes.....	35,701	13,270	...	46,285
Total Fiscal Year.....	149,180	170,728	53,551	219,767
Change Over Prior Year.....	43,250	21,548	...	49,039
Percent Change	40.8%	14.3%	...	28.7%

This category provides for the expenses related with depreciation on buildings and equipment, and other write-offs. Write-offs include costs of expendable equipment,

gains or losses on sales of motor vehicles, discounts, amortization of bond commission, uncollectable receivables written off, and lost or damaged property.

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CATEGORY X - DEPRECIATION AND OTHER COSTS

U. S. Postal Service
Volume of Mail and Special Services
and Postal Revenue and Operating Income
for Fiscal Years 1975, 1976 and 1977
(in thousands)

Classification	Actual 1975			Estimated 1976		
	Pieces or Transactions	%	Postal Revenue	Pieces or Transactions	%	Postal Revenue
First Class.....	51,372,664	-0.43	\$ 5,797,840	51,192,960	-0.35	\$ 6,486,631
Priority (Heavy Pieces).....	2,065,477	-7.07	411,259	222,830	7.92	467,147
Airmail.....	1,109,182	-16.90	223,005	998,930	-9.94	227,467
Second Class.....	9,085,314	2.80	236,105	8,808,610	-3.05	283,225
Third Class.....	627,957	1.22	40,844	656,270	4.51	16,509
Third Class Publications.....	21,867,253	-2.97	1,348,272	21,439,670	-1.89	1,437,699
Fourth Class.....	801,227	-6.75	717,827	404,000	-1.39	497,096
Penalty and Official Mail.....	2,927,664	2.95	449,531	2,692,600	-6.91	482,633
Franked.....	317,368	0.68	34,523	322,000	1.46	39,633
Free-for-the-Blind Mail.....	18,933	0.02	522	19,300	1.94	...
International (Originating).....	63,933	1.78	389,608	955,200	0.35	431,388
Total Volume and Revenue from Mail.....	89,263,980	-0.92	9,648,814	88,000,000	-1.42	10,600,485
Special Services and Other:						
Box Rents.....	...	...	66,540	...	...	105,519
Money Order Fees.....	174,167	5.88	53,370	131,720	-24.37	18,75
Special Services.....	327,681	-1.44	212,382	287,244	-12.34	265,737
Other Revenue-Net.....	...	...	38,286	...	...	56,000
Total Special Services and Other.....	...	...	370,580	...	...	491,635
Unallocated adjustment ^{1/}.....	...	...	...	...	...	25,081
Total Mail Revenue and Special Services and Other.....	...	...	10,019,394	...	...	11,117,201
Other Income.....	...	...	61,885	...	...	19,729
Receipts from Appropriations ^{2/}.....	...	...	1,532,934	...	...	1,644,503
Investment Income.....	...	...	109,194	...	...	58,900
Total Income.....	...	...	11,682,007	...	...	12,840,333
Total Income.....	...	...	8.40	...	...	9.32

^{1/} Unallocated adjustment for revision to revenue forgone estimates.
^{2/} Excludes POD liabilities of \$341,807,000 in 1975; \$63,913,000 in 1976; and \$54,104,000 in 1977.

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U. S. Postal Service
 Volume of Mail and Special Services
 and Postal Revenue and Operating Income
 for Fiscal Years 1976, 1976 and 1977
 (in thousands)

Classification	Transition Period		Estimated 1977	
	Pieces or Transactions	Postal Revenue	Pieces or Transactions	Postal Revenue %
First Class.....	12,036,840	\$1,726,754	51,448,285	0.50
Priority (Heavy Pieces).....	56,440	1,726,754	501,763	7.41
Airmail.....	234,493	59,943	963,356	3.60
Second Class.....	2,257,425	89,232	8,905,265	1.10
Controlled Circulation Publications.....	159,539	11,970	52,396	3.38
Third Class.....	5,376,189	414,563	21,416,584	-0.11
Fourth Class.....	182,002	173,633	744,220	0.54
Penalty and Official Mail.....	634,298	127,399	2,725,000	2.29
Franked.....	86,972	12,437	328,000	1.86
Free-for-the-Blind Mail.....	5,083	...	20,000	3.63
International (Originating).....	220,692	110,874	941,300	...
Total Volume and Revenue from Mail.....	21,247,681	2,845,190	85,400,000	0.45
Special Services and Other:				
Box Rents.....	...	26,475	...	106,000
Money Order Fees.....	32,693	19,221	128,720	75,677
Special Services.....	66,404	71,804	279,813	304,826
Other Revenues-Net.....	...	14,000	...	65,900
Total Special Services and Other.....	...	131,500	...	552,403
Unallocated Adjustment ^{1/}.....	...	- 14,165	...	25,732
Total Mail Revenue and Special Services and Other.....	...	2,962,525	...	12,564,004
Other Revenues.....	...	418,098	...	20,555
Receipts from Appropriations ^{2/}.....	...	14,932	...	1,712,066
Investment Income.....	...	3,401,184	...	47,800
Total Income.....	...	...	...	14,344,425
				11.71

^{1/} Unallocated adjustment for revision to revenue forgone estimates.
^{2/} Excludes POD liabilities of \$341,807,000 in 1975; \$63,913,000 in 1976; and \$54,104,900 in 1977.

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VOLUME OF MAIL AND SPECIAL SERVICES, POSTAL REVENUE AND OTHER INCOME

U. S. POSTAL SERVICE
Special Services Transactions and Postal Revenue
For Fiscal Years 1975, 1976, and 1977
(in thousands)

Classification	Actual 1975			Estimated 1976		
	Transactions	%	Revenue	Transactions	%	Revenue
Special Services:						
Registry-Fees Affixed .	48,692	-5.75	\$ 71,230	43,015	-11.66	\$ 87,625
Registry - Other	15,554	5.92	...	15,600	0.30	...
Insurance	98,047	2.22	31,114	85,335	-12.97	40,702
Collect-on-Delivery ...	16,291	-5.10	13,779	14,885	- 8.63	15,119
Certified	73,789	3.80	32,919	59,268	-19.68	36,616
Special Delivery	75,308	-8.10	48,722	69,141	- 8.19	73,075
Stamped Envelopes .....	...	...	14,618	...	...	13,600
Total Special Services	327,681	-1.44	212,382	287,244	-12.34	266,737
						25.59

SPECIAL SERVICES TRANSACTIONS AND POSTAL REVENUE

1/27/76

TOTAL COMMITMENTS BY OBJECT
 FY 1975 - 1977
 (in thousands of dollars)

ITEM	FY 1975 Actual	FY 1976 Estimate	Transition Quarter	FY 1977 Estimate
<u>Personnel compensation:</u>				
Permanent positions.....	7,503,932	7,813,153	1,991,141	8,276,781
Positions other than permanent.....	1,190,711	1,144,451	485,980	1,405,071
Other personnel compensation.....	732,248	770,419	173,388	827,098
Special personal services payments..	145	145	...	145
Total personnel compensation.....	9,427,036	9,728,168	2,650,509	10,509,095
Personnel benefits.....	1,709,738	1,806,859	433,787	1,864,846
Benefits for former personnel.....	25,020	25,022	6,230	24,917
Travel and transportation of persons..	37,257	38,716	9,645	40,825
Transportation of things.....	912,867	951,920	233,114	1,057,857
Rent, communications, and utilities...	354,739	410,112	118,255	450,048
Printing and reproduction.....	9,627	9,650	2,578	10,284
Other services.....	313,539	259,631	60,065	191,774
Supplies and materials.....	251,444	285,676	75,154	306,392
Equipment.....	227,302	279,545	29,391	462,652
Lands and structures.....	280,649	563,109	164,552	832,327
Insurance claims and indemnities.....	-	26,334	6,450	27,842
Interest.....	71,851	166,429	66,573	228,550
Contingency.....	...	547,157	146,932	591,273
Total direct commitments.....	13,584,443	15,098,328	4,003,235	16,598,682

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TOTAL COMMITMENTS BY OBJECT

SOURCES OF CHANGE - SUMMARY
 FY 1974 - 1975
 (\$ in thousands)

Category or Cost Segment	FY 1974 Actual	Cost Level	Sources of Change				Other Cost Changes	FY 1975 Actual
			Mail Volume Effect	Non-Volume Workload	Additional Workdays	Cost Reduction Programs		
I Postal Field Operations:								
1. Postmasters.....	502,595	65,865	-732	-2,621	1,700	306	551,935	
2. Supervisors & Technicians.....	722,738	78,105	-8,621	1,435	1,334	13,386	850,659	
3. Clerks & Mailhandlers, 1st & 2nd.....	4,041,007	439,213	-92,053	...	2,239	-12,922	4,451,359	
4. Clerks, 3rd Class.....	35,571	4,584	-743	...	9	8,202	47,623	
5. Mobile Unit Clerks.....	1,453	144	-24	...	...	...	1,426
6. City Delivery Carriers.....	2,644,278	280,772	-23,482	39,765	2,595	-94,084	2,837,006	
7. Vehicle Drivers.....	84,828	8,428	...	...	34	666	98,145
8. Vehicle Mechanics.....	64,905	7,107	-1,864	...	84	...	72,364	
9. Special Delivery Messengers.....	645,256	109,543	-2,945	12,045	2,024	-916	746,364	
10. Rural Carriers.....	354,547	38,651	-233	6,907	1,259	23,101	421,741	
11. Custodial (Maint.) Service.....	168,493	23,765	-1,061	1,619	355	3,393	183,962	
12. Motor Vehicle Service.....	50,456	1,187	-60	-698	148	2,083	57,747	
13. Miscellaneous Operating Expense.....	9,320,565	1,058,443	-131,818	58,452	12,069	-64,987	10,290,888	
Total Field Operations.....	699,821	52,583	-23,058	...	103	185	769,236	
II Transportation.....	136,686	35,433	-12	...	742	7,403	222,852	
III Supplies & Services.....	460,639	147,532	-1,359	578	1,017	-711	803,884	
IV Administration & Regional Opera- tion.....	325,992	11,080	...	5,606	79	4,332	364,064	
V Building Occupancy.....	40,259	...	...	...	...	...	16,975
VI Research & Development.....	101,931	2,384	1,145	1,588	...	...	-22,089
VII Service-wide Costs.....	...	...	...	...	...	...	-52,253
VIII Capital Investment.....	...	...	...	...	...	...	54,795
IX Contingency.....	105,930	3,436	-234	346	67	3,954	149,180	
X Depreciation & Other Costs.....	11,193,823	1,310,891	-155,336	66,570	14,077	-49,844	12,670,765	
TOTAL.....								

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SOURCE OF CHANGE - SUMMARY

SOURCES OF CHANGE - SUMMARY
 FY 1975 - 1976
 (\$ in thousands)

Category or Cost Segment	FY 1975 Actual	Cost Level	Mail Volume Effect	Non-Volume Workload	Sources of Change			FY 1976 Estimate
					Additional Workday	Reduction Programs	Other Cost Change	
I Postal Field Operations:								
1. Supervisors & Technicians.....	551,935	40,690	- 725	- 1,590	1,807	...	- 4,618	587,499
2. Clerks & Mailhandlers, 1st & 2nd	850,659	54,877	-10,263	1,600	1,540	22,775	-20,510	900,678
3. Clerks, 3rd Class.....	4,451,359	421,531	-102,930	...	1,140	-183,096	4,588,478	4,588,478
4. Mobile Unit Clerks.....	1,426	5,315	- 1,432	...	48	...	3,332	54,886
5. Vehicle Drivers.....	2,837,006	265,031	-22,874	44,056	2,878	-76,558	-15,201	3,093,423
6. Rural Carriers.....	98,145	8,923	5,552	...	388	...	518	107,497
7. Special Delivery Messengers.....	68,321	9,476	- 2,687	12,131	2,031	- 1,291	- 182	67,191
8. Custodial (Maint.) Service.....	420,741	35,316	- 2,376	19,510	1,470	- 2,577	32,187	763,535
9. Motor Vehicle Service.....	183,962	14,685	- 1,780	1,771	371	- 1,458	- 4,817	496,305
10. Miscellaneous Operating Expense.....	57,747	2,994	...	626	150	- 1,768	- 5,406	201,461
11. Total Field Operations.....	10,290,888	861,068	-148,991	76,852	11,868	-223,023	-11,953	10,856,709
II Transportation.....	769,236	75,891	- 19,890	...	125	- 12,779	-17,290	795,293
III Supplies & Services.....	222,852	14,389	- 275	...	839	20,419	- 4,007	294,217
IV Administration & Regional Operations.....	801,580	189,513	- 3,169	1,507	1,284	- 4,763	89,287	1,075,239
V Building Occupancy.....	304,170	31,919	...	13,372	440	8,966	- 2,559	415,902
VI Research & Development.....	54,795	25,833	- 4,080	...	...	...	10,033	28,193
VII Services & Investments.....	...	...	...	...	...	...	...	...
VIII Contingency.....	...	...	...	...	...	...	...	...
IX Depreciation & Other Costs.....	149,180	5,543	- 4,573	466	73	6,769	13,270	170,728
TOTAL.....	12,670,765	1,203,856	-180,978	92,197	14,629	-204,411	655,111	14,261,169

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SOURCE OF CHANGE - SUMMARY

SOURCES OF CHANGE - SUMMARY
 FY 1976 - 1977
 (\$ in thousands)

Category Cost Segment	FY 1976 Estimate	Sources of Change						Other Cost Change	FY 1977 Estimate
		Cost Level	Mail Volume Effect	Non-Volume Workload	Additional Workday	Cost Reduction Programs	Cost Change		
I Postal Field Operations:									
1. Postmasters.....	587,499	35,248	75	4,130	-1,917	6,058	...	625,035	
2. Supervisors & Technicians.....	900,678	121,339	644	-373	-1,671	5,058	...	1,026,335	
3. Clerks & Mailhandlers, 1st & 2nd	4,588,478	430,077	8,810	...	-2,680	-147,745	...	4,876,940	
4. Clerks, 3rd Class.....	54,886	4,086	24	...	-49	...	...	58,947
6&7. Mobile Unit Clerks.....	1,728	71	6	...	...	...	...	1,805
8. Vehicle Delivery Carriers.....	3,034,423	184,479	3,909	-10,001	-3,002	-34,033	...	3,475,775	
9. Special Delivery Messengers.....	67,191	3,501	77	...	-351	-2,446	...	110,501	
10. Rural Carriers.....	763,525	60,013	-1,243	14,012	-82	...	...	69,154
11. Custodial (Maint.) Service.....	486,305	71,906	126	...	-1,522	7,840	...	835,850	
12. Motor Vehicle Service.....	201,461	16,011	-97	-662	-492	...	...	374,655
13. Miscellaneous Operating Expense.....	53,038	2,173	7	-38	-125	...	...	219,767
TOTAL.....	14,251,169	1,120,911	13,307	14,925	-15,790	-168,767	184,272	15,400,027	
II Postal Field Operations									
III Transportation.....	795,293	934,526	12,570	7,068	-13,934	-170,316	...	11,826,623	
IV Supplies & Services.....	254,217	73,674	3,463	...	-914	...	...	872,430
V Administration & Regional Opera-	1,075,239	44,486	-53	...	...	...	...	265,586
VI Building Occupancy.....	415,902	32,102	337	143	-942	...	...	1,214,451
VII Research & Development.....	28,193	22,301	...	7,886	...	75	...	-2,408	
VIII Service-wide Costs.....	107,731	22,301	-2,976	...	...	...	...	453,457
IX Capital Investment.....	547,157	1,486	...	...	...	...	...	25,822
X Depreciation & Other Costs.....	170,728	1,486	-34	-172	...	...	...	130,518
TOTAL.....	14,251,169	1,120,911	13,307	14,925	-15,790	-168,767	184,272	15,400,027	

1/26/76

SOURCE OF CHANGE - SUMMARY

SUMMARY OF POSITIONS
FY 1975 - FY 1977

Category or Cost Segment	FY 1975	FY 1976		Transition Quarter Total	FY 1977		Total
		Change	Percent		Change	Percent	
I Postal Field Operations							
1. Postmasters & Technicians.....	30,078	- 56	- 0.2	30,022	- 2	1.5	30,020
2. Supervisors & Mailhandlers, 1st & 2nd.....	39,401	236	0.6	39,637	53	1.5	40,210
3. Clerks & Mailhandlers, 1st & 2nd.....	309,402	-24,867	- 8.0	284,535	-1,000	-0.4	283,535
4. Clerks, 3rd Class.....	15,611	- 265	- 1.7	15,346	38	0.2	15,384
5. Mobile Unit Clerks.....	197,073	- 2,066	- 1.1	195,010	793	-0.4	194,217
6&7. City Delivery Carriers.....	3,342	1,007	1.7	6,459	158	-2.5	6,301
8. Vehicle Drivers.....	3,991	- 492	-12.3	3,499	67	-1.9	3,432
9. Special Delivery Messengers.....	51,638	20	13.7	51,658	32	0.1	51,690
10. Rural Carriers.....	29,456	4,019	13.7	33,475	1,228	3.7	34,703
11. Motor Vehicle Service.....	5,179	504	9.7	5,683	89	1.6	5,772
12. Miscellaneous Operating Expense.....	929	8	- 0.9	921	3	-0.3	918
13. Total Field Operations.....	689,186	-22,868	- 3.3	666,318	63	...	666,255
II Transportation.....	511	..	..	563	..	..	563
III Supplies and Services.....	531	..	..	563	..	..	563
IV Administration and Regional Operations.....	12,595	23	0.2	12,618	..	..	12,618
V Building Occupancy.....	..	..	..	..	..	..	..
VI Research and Development.....	..	..	..	..	..	..	..
VII Servicewide Costs.....	..	..	..	..	..	..	..
VIII Capital Investment.....	..	..	..	..	..	..	..
IX Contingency.....	..	..	..	..	..	..	..
X Depreciation and Other Costs.....	..	..	..	..	..	..	..
TOTAL POSITIONS.....	702,342	-22,543	- 3.3	679,799	- 63	....	679,436

1/26/76

SUMMARY OF POSITIONS

SUMMARY OF MAN-YEARS
FY 1975 - FY 1977

Personnel Category or Cost Component	FY 1975		FY 1976		FY 1977		Transition Quarter Total	Total
	FY 1975	Change	FY 1975-FY 1976		FY 1976-FY 1977			
			Percent	Percent	Change	Percent		
I Postal Field Operations:								
1. Postmasters.....	33,532	161	0.5	33,693	8,810	221	0.7	33,914
2. Supervisors & Technicians.....	46,175	862	1.9	47,037	11,649	680	1.4	48,717
3. Clerks & Mailhandlers, 1st & 2nd	312,155	-25,082	-8.0	287,073	74,550	-8,351	-2.9	278,722
4. Clerks, 3rd Class.....	3,856	193	5.0	4,049	1,067	2	0.0	4,047
5. Mobile Unit Clerks.....	80	18	22.5	98	26	..	..	98
6&7. City Delivery Carriers.....	199,544	-2,092	-1.0	197,452	47,063	-2,646	-1.3	194,806
8. Vehicle Drivers.....	6,584	..	..	6,584	1,672	164	2.4	6,748
9. Special Delivery Messengers.....	4,733	583	12.3	5,316	1,099	80	1.9	5,406
10. Rural Carriers.....	38,910	757	2.0	39,667	9,843	632	1.6	40,500
11. Custodial (Maint.) Service.....	28,841	5,502	19.1	34,343	1,382	365	1.1	35,725
12. Motor Vehicle Service.....	5,438	8	0.1	5,446	1,382	94	1.6	6,061
13. Miscellaneous Operating Expense	944	-8	-0.9	936	242	3	0.3	939
Total Field Operations.....	680,192	-19,632	-2.9	660,560	165,428	-9,984	-1.5	650,576
II Transportation.....	..	..	..	..	..	..	..	..
III Supplies & Services.....	572	..	0.3	574	147	..	..	574
IV Administration & Regional Opera- tions.....	12,489	120	1.0	12,609	2,960	-39	-0.3	12,570
V Building Occupancy.....	..	..	..	..	..	..	..	..
VI Research & Development.....	..	..	..	..	..	..	..	..
VII Servicewide Costs.....	..	..	..	..	..	..	..	..
VIII Capital Investment.....	..	..	..	..	..	..	..	..
IX Contingency.....	..	..	..	..	..	..	..	..
X Depreciation & Other Costs.....	..	..	..	..	..	..	..	..
TOTAL MAN-YEARS.....	693,253	-19,510	-2.8	673,743	168,535	-10,023	-1.5	663,720

1/26/76

SUMMARY OF MAN-YEARS

PRODUCTIVITY - GOVERNMENT FISCAL YEAR BASIS

TOTAL EMPLOYMENT

FISCAL YEAR	GFY		Mail Volume		Average Pieces Delivered Per Mailpiece	Percent Increase or Decrease (C)
	Man-years	Millions of Pieces	Millions of Pieces	Per Mailpiece		
1972	723,581	86,383	130,212	180	2.8	2.5
1973	707,674	87,156	123,158	174	6.4	6.4
1974	684,192	89,683	131,079	192	7.4	0.6
1975 (estimate)	654,035	89,296	128,764	197	1.4	0.6
1976 (estimate)	673,743	88,000	130,614	194	3.5	3.5
Transition Quarter	21,248	126,075	133,189	199	2.0	2.0
1977 (estimate)	663,720	88,400	133,189	199	3.5	3.5

CLERKS AND MAILHANDLERS

FISCAL YEAR	GFY		Mail Volume		Average Pieces Delivered Per Mailpiece	Percent Increase or Decrease (C)
	Man-years	Millions of Pieces	Millions of Pieces	Per Mailpiece		
1972	284,720	87,156	270,879	238	4.2	4.8
1973	271,732	89,683	290,874	241	7.4	7.4
1974	308,323	90,098	281,589	231	-3.2	-3.2
1975 (estimate)	319,963	88,000	302,177	235	7.0	7.0
1976 (estimate)	291,220	88,400	279,789	236	-7.4	-7.4
Transition Quarter	75,943	21,248	21,248	282	3.4	3.4
1977 (estimate)	282,867	88,400	312,514	289	3.4	3.4

CITY DELIVERY CARRIERS

FISCAL YEAR	GFY		Possible Deliveries		Deliveries Per Carrier	Percent Increase or Decrease (C)
	Man-years	Possible Deliveries (Per Day)	Possible Deliveries	Per Carrier		
1972	317,603	50,385	267,8	841	1.9	1.9
1973	216,483	58,404	289,8	1336	3.1	3.1
1974	205,487	60,075	292,4	1422	8.4	8.4
1975 (estimate)	208,036	63,000	312,7	1503	3.6	3.6
1976 (estimate)	187,434	63,500	321,6	1716	2.5	2.5
Transition Quarter	47,063	63,500	63,500	1350	3.0	3.0
1977 (estimate)	194,806	64,500	331,1	1700	3.0	3.0

CITY DELIVERY CARRIERS

FISCAL YEAR	GFY		Pieces Delivered		Average Pieces Delivered Per Mailpiece	Percent Increase or Decrease (C)
	Man-years	Millions of Pieces	Millions of Pieces	Per Mailpiece		
1972	217,693	86,383	359,611	1652	2.4	2.4
1973	216,483	87,156	402,600	1860	0.7	0.7
1974	205,487	89,683	436,441	2124	8.4	8.4
1975 (estimate)	208,036	89,296	447,350	2148	3.3	3.3
1976 (estimate)	187,434	88,000	445,678	2380	-0.4	-0.4
Transition Quarter	47,063	21,248	451,480	2124	1.3	1.3
1977 (estimate)	194,806	88,400	453,785	2324	1.8	1.8

1/ Percent increase over FY 1976

1/24/76

PRODUCTIVITY - GOVERNMENT FISCAL YEAR BASIS

SELECTED OPERATING STATISTICS

	1974	%	1975	%	1976	%	1977	%
Mail Volume (billions of pieces) (GFY).	90.1	0.5	89.3	-0.9	88.0	-1.5	88.4	0.5
City Delivery:								
Number of routes (number).....	130,417	-4.4	130,000	-0.3	130,000	...	130,000	...
Possible deliveries (millions)...	63.0	4.8	62.6	-0.6	63.5	1.4	64.5	1.6
Special Deliveries (millions of pieces)	82.3	-1.9	75.3	-8.5	71.2	-5.5	67.6	-5.1
Rural Delivery:								
Number of routes (number).....	31,345	0.6	31,648	1.0	31,950	1.0	32,250	0.9
Families served (millions).....	12.4	7.8	12.7	2.4	13.0	2.4	13.4	3.1
Average daily route miles.....	67.3	...	68.1	1.2	68.9	1.2	69.7	1.2
Post Offices (as of June 30):								
1st Class.....	5,407	2.9	5,477	1.3	5,475	...	5,473	...
2nd Class.....	7,477	-0.2	7,396	-1.1	7,390	-0.1	7,384	-0.1
3rd Class.....	12,233	-0.2	12,191	-0.3	12,161	-0.3	12,131	-0.3
4th Class.....	5,883	-7.8	5,690	-3.3	5,474	-3.8	5,162	-5.7
Total.....	31,000	-1.2	30,754	-0.8	30,500	-0.8	30,150	-1.1
Contract Stations (number).....	5,959	-2.5	5,799	-2.7	5,700	-1.7	5,700	...
Total Active Vehicle Fleet (number)...	106,911	8.1	113,516	6.2	114,576	0.9	119,090	3.9
Interior and Platform Space Occupied (thousands of square feet).....	166,860	0.4	170,149	2.0	188,248	10.6	190,641	1.3

*Change over prior year

1/24/76

SELECTED OPERATING STATISTICS

PAY AND BENEFITS INCREASE - SUMMARY
 FY 1976 (Estimate)
 (\$'000)

ITEM	1975 Carryover Costs				1976 New Items				Retiree ^{1/2} men ^{2/3}	Sub-Total	Total 1976 Increase
	Pay	COLA	Health Benefits	Life Ins.	COLA	Health Benefits	Life Ins.	Life Allowance			
Non-Bargaining Units:											
Headquarters Administration.....	45	1,880	122	211	2,258	479	223	73	585	3,925	5,483
Regional Administration.....	24	2,048	177	230	3,480	652	329	47	207	1,816	3,096
Law Enforcement.....	104	2,588	172	230	3,480	652	329	97	490	4,402	7,586
Law Enforcement of Postal Rates.....	1	37	0	0	45	42	4	1	7	63	108
Postal Source Data System and Maintenance Technical Support Center.....	4	85	5	17	95	16	10	3	11	106	191
Supervisors and Technicians.....	351	14,653	1,166	2,042	18,212	3,749	2,818	...	2,909	24,453	42,665
	1,114	20,837	1,568	376	23,895	5,311	2,680	789	6	30,230	54,152
Total Non-Bargaining Units	1,646	41,077	3,119	3,027	48,959	42,471	10,483	1,004	4	64,295	113,254
Bargaining Units:											
Clerks and Mailhandlers.....	6,799	126,601	9,429	16,387	161,306	138,584	32,795	5,073	1,719	219,717	381,023
Clerks, 3rd Class Offices.....	89	1,681	116	231	2,117	1,719	428	66	...	2,740	4,103
Mobile Unit Clerks.....	4,302	83,134	7,293	985	95,655	85,034	21,186	3,271	1,575	139,905	235,756
City Delivery Carriers.....	4,143	2,715	230	240	3,228	2,775	694	1,066	51	527	4,541
Special Delivery Messengers.....	104	1,953	177	296	2,530	1,995	409	77	64	3,343	7,889
Rural Carriers.....	884	17,114	1,461	1,970	21,429	16,266	3,853	...	...	27,882	49,311
Main Cleaning and Protection.....	348	6,590	485	753	8,176	6,736	1,212	257	85	10,417	18,593
Equipment and Building.....	299	5,637	523	799	7,938	6,361	1,395	241	91	1,459	3,913
Motor Vehicle Maintenance.....	12	241	17	28	299	247	62	28	9	48	394
Mail Equipment Shop.....	13	105	18	13	131	108	26	12	4	40	693
Procurement Field Personnel.....	13	248	19	32	312	254	64	33	...	410	722
Protection Force (incl'd with Law Enf.).....	...	...	...	...	...	...	...	...	...	...	...
Total Bargaining Units	13,214	250,486	19,963	22,042	305,715	292,348	63,273	9,185	3,590	49,776	798,603
Total Non-Bargaining and Bargaining Units	14,860	291,573	23,082	25,069	354,674	354,819	73,758	10,189	3,524	114,071	1,911,857
Unallocated Compensation 3/.....	...	...	...	...	...	821	...	...	...	...	821
Unallocated Health Benefits 3/.....	...	...	...	...	...	...	...	...	...	...	28,843
Replacing Annual Leave.....	...	...	...	...	...	...	...	...	...	...	...
Total Government Fiscal Year	14,860	291,573	23,082	25,069	354,674	297,491	73,758	89,830	10,189	3,524	508,698
											863,372

1/ Law Enforcement Retirement Contribution
 2/ Retirement on COLA (\$1310 to Basic Salary)
 3/ Recent Decisions Requiring Adjustments

1/27/76

PAY AND BENEFIT INCREASE - SUMMARY

PAY AND BENEFITS INCREASE - SUMMARY
 GFY 1977 (Estimate)
 (\$000)

ITEM	Total 1976 Increase	1976 Carryover Costs		1977 New Items		Health	Subtotal	Total 1977 Increase
		Pay	COEA	Pay	COEA			
Non-bargaining Units:								
Headquarters Administration	5,483	562	670	1,593	1,191	...	2,784	4,016
Legal Administration	3,096	309	367	869	650	...	1,519	2,195
Law Enforcement	7,586	722	896	2,132	1,589	...	3,721	5,369
Administration of Postal Rates	108	11	14	25	26	...	59	84
Postal Source Data System and Maintenance Technical Support Center	191	17	23	40	50	...	90	130
Postmasters	42,665	4,001	5,516	11,346	9,145	...	20,491	30,008
Supervisors and Technicians	54,125	5,755	7,422	16,322	13,162	...	29,484	42,661
Total Non-bargaining Units	113,254	11,407	14,908	32,345	25,803	...	58,148	84,463
Bargaining Units:								
Clerks and Mailhandlers, 1st and 2nd								
Class Offices	381,093	33,602	43,323	76,925	76,822	...	172,110	249,035
Clerks, 3rd Class Offices	4,857	479	610	1,083	1,341	...	2,422	3,505
Mobile Unit Clerks	103	9	12	26	21	...	47	68
City Delivery Carriers	235,756	22,211	28,636	50,841	62,864	...	113,765	164,612
Vehicle Drivers	7,869	744	946	1,690	50,781	...	3,760	5,450
Special Delivery Messengers	5,837	827	983	1,810	1,678	...	1,242	3,052
Mural Carriers	49,311	4,556	5,874	10,430	10,418	...	11,712	22,142
Cleanance Services:								
Equipment Protection	18,593	1,875	2,417	4,292	4,288	...	9,604	13,896
Motor Vehicle Maintenance	16,692	1,633	2,102	3,735	4,628	...	8,360	12,095
Mailbag Units	6,693	618	795	1,413	1,412	...	3,163	4,576
Mail Equipment Shops	301	26	54	150	186	...	336	486
Procurement Field Personnel	722	67	57	154	81	...	145	209
Protection Force (Included with Law Enforcement) .....	...	67	57	154	191	...	345	499
Total Bargaining Units	728,603	66,709	85,905	152,614	151,234	...	327,011	479,623
Total Non-bargaining and Bargaining Units	841,857	78,116	100,813	178,929	177,037	...	385,159	564,086
Unallocated Compensation 1/ .....	...	...	...	...	16,972	...	16,972	16,972
Unallocated Health Benefits 1/ .....	...	...	...	...	100,519	...	100,519	100,519
Repricing Annual Leave	8,149	...	...	...	10,156	...	10,156	10,156
Total Government Fiscal Year	833,708	78,116	100,813	178,929	177,037	...	512,806	691,735

1/ Recent decisions requiring adjustments

1/27/76

FINANCING OF COMMITMENTS INCURRED
(\$000)

Item	1975 Actual			1976 Estimate				
	Total	Operating	Capital	Other	Total	Operating	Capital	Other
Gross commitments, current year.....	13,677,688	12,633,711	702,170	341,807	15,185,734	14,167,847	953,974	58,913
Prior year adjustments.....	2,371	2,371	...	...	...	...	...	...
Commitments incurred, net.....	13,680,059	12,636,082	702,170	341,807	15,185,734	14,167,847	953,974	58,913
Sources of Financing:								
Revenues, reimbursements and other income..	10,256,071	10,256,071	...	...	11,294,300	11,294,300	...	...
Appropriation.....	1,874,611	1,532,000	...	341,807	1,798,416	1,644,503	...	58,913
Notes payable - net.....	1,000,000	500,000	500,000	...	1,280,000	500,000	780,000	...
Drawdown from Treasury-net prior year items	2,371	2,371	...	...	...	...	...	...
Borrowing authority committed during year:								
a) Operating.....	344,706	344,706	...	...	729,044	729,044	...	...
b) Capital.....	202,170	...	202,170	...	173,974	...	173,974	...
Total.....	13,680,059	12,636,082	702,170	341,807	15,185,734	14,167,847	953,974	63,913

1/15/76

FINANCING OF COMMITMENTS INCURRED

FINANCING OF COMMITMENTS INCURRED (\$000)

Item	Transition Quarter		1977 Estimate	
	Total	Operating	Capital	Other
Gross commitments, current year.....	4,025,423	3,795,237	214,735	15,451
Prior year adjustments.....	4,025,423	3,795,237	214,735	15,451
Commitments incurred, net.....	3,007,482	3,007,482	...	...
Sources of Financing:	434,130	418,679	...	15,451
Revenues, reimbursements and other income...	500,000	125,000	375,000	...
Appropriation.....	...	...	...	...
Notes payable	244,076	244,076	...	...
Drawdown from Treasury-net prior year items:	(160,265)	...	(160,265)	...
Borrowing authority committed during year:	324,771	324,771	...	...
a) Operating.....	466,318	...	...	466,318
b) Capital.....	16,895,753	15,277,331	1,364,318	54,104
Total.....	16,895,753	15,277,331	1,364,318	54,104

	Uncommitted		Debt	
	Borrowing Authority	Outstanding	Borrowing Authority	Unfinanced
Total Borrowing Authority at June 30, 1971.....	10,000,000	...	...	...
Borrowing Authority Committed During Year Ended:				
June 30, 1972.....	(262,570)	250,000	...	12,570
1973.....	(718,539)	500,000	...	718,539
1974.....	(683,696)	1,500,000	...	583,606
1975.....	(1,546,876)	1,500,000	...	50,000
1976.....	(583,813)	1,500,000	...	903,018
September 30, 1977.....	(2,189,089)	1,398,000	...	83,811
Status at September 30, 1977.....	1,832,491	4,328,000	...	791,089
	...	...	...	3,239,309

1/16/76

FINANCING OF COMMITMENTS INCURRED

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES, AND NET OUTLAYS
(\$000)

Details of Gross Receipts	1974	1975	1976	1977
	Actual	Actual	Estimate	Estimate
Balances at beginning of year:				
Accounts receivable and advances.....	400,655	561,386	181,750	241,750
Deferred credits.....	231,997	321,563	231,565	322,565
Total beginning balances.....	269,327	368,389	49,815	79,815
Prior year adjustments.....	7	...	...	...
Current year revenues, operating receipts, and appropriations.....	11,038,701	12,130,792	13,002,716	14,506,664
Total potential cash receipts.....	11,308,055	12,499,181	12,952,901	14,425,849
Less balances at end of year:				
Accounts receivable and advances.....	561,386	181,750	241,750	245,750
Deferred credits.....	192,997	231,563	321,565	322,565
Totals at end of year.....	368,389	49,815	79,815	80,815
Gross Receipts.....	10,939,646	12,548,996	13,032,716	14,506,664

Net Outlay

Gross expenditures.....	11,712,916	13,663,615	14,754,760	15,967,435
Gross receipts.....	10,939,646	12,548,996	13,032,716	14,506,664
Net outlay (-) from operations.....	773,270	-1,114,619	-1,722,044	-1,460,771
Treasury drawdown - POD items.....	1,734	1,000,000	1,280,000	1,388,000
Borrowing - net of repayment.....	-271,536	-112,238	-442,044	-62,771
Net outlay (-).....	503,468	-126,857	-884,088	-535,542

1/14/76

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS

DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES, AND NET OUTLAYS
(\$000)

Details of Gross Expenditures	1974 Actual	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
Balances at beginning of year:					
Unpaid, undelivered orders:					
Operating.....	88,851	116,388	125,547	125,547	125,547
Capital.....	1,136,263	735,210	670,845	830,819	846,054
Total.....	1,225,114	851,598	796,392	966,366	971,601
Current liabilities.....	585,648	996,681	829,152	968,633	883,321
Mortgages payable.....	14,983	14,983	31,399	31,399	30,899
Other liabilities.....	1,993,293	2,953,447	3,633,343	6,083,797	6,014,859
Deferred costs.....	2,571,271	2,595,800	2,371,868	5,341,868	5,550,237
Total beginning balances.....	2,209,784	2,220,909	2,237,353	2,665,327	2,583,812
Commitments.....					
Operating.....	11,317,812	12,636,082	14,167,847	3,795,237	15,277,331
Capital.....	463,912	702,170	953,974	214,735	1,364,318
Other.....	61,096	341,807	63,913	15,451	54,104
Prior year adjustments.....	- 118,779	-	-	-	-
Total commitments.....	11,724,041	13,680,059	15,185,734	4,025,423	16,695,753
Subtotal.....	13,933,825	15,900,968	17,423,087	6,693,750	19,254,565
Less balances at end of year:					
Unpaid, undelivered orders:					
Operating.....	- 116,388	- 125,547	- 125,547	- 125,547	- 125,547
Capital.....	- 735,210	- 670,845	- 830,819	- 846,054	- 846,054
Total.....	- 851,598	- 796,392	- 966,366	- 971,601	- 971,601
Current liabilities.....	- 996,681	- 829,152	- 968,633	- 883,321	- 883,321
Mortgages payable.....	- 14,983	- 31,399	- 31,399	- 30,899	- 28,899
Other liabilities.....	- 2,953,447	- 3,633,343	- 6,083,797	- 6,014,859	- 6,431,467
Deferred costs.....	- 2,595,800	- 2,571,271	- 5,371,868	- 5,341,868	- 5,550,237
Total end of year balances.....	- 2,220,909	- 2,237,353	- 2,668,327	- 2,558,812	- 2,287,130
Gross expenditures.....	11,712,916	13,663,615	14,754,760	4,134,938	15,967,435

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DETAILS OF GROSS RECEIPTS, GROSS EXPENDITURES AND NET OUTLAYS

SELECTED WORKING CAPITAL
(\$'000)

	1974 Actual	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
Assets					
Accounts Receivable:					
U. S. Government agencies.....	590,748	160,218	218,008	218,458	222,408
Foreign countries.....	29,029	37,345	40,400	40,500	40,600
Interest.....	2,977	1,705	800	200	100
Other.....	9,336	4,290	4,350	4,400	4,400
Total.....	632,090	203,558	263,558	263,558	267,508
Less: Allowance for doubtful accounts.....	- 32,090	- 203,558	- 263,558	- 263,558	- 267,508
Accounts receivable-net.....	600,000	180,000	199,999	199,999	200,000
Advances and prepayments.....	581,732	197,792	257,792	257,792	261,732
Adjustment for reclassifications and unfunded receivables.....	4,528	9,070	9,070	9,070	9,070
Total accounts receivable and advances.....	- 24,499	- 25,112	- 25,112	- 25,112	- 25,112
Total.....	561,386	181,750	241,750	241,750	245,750
Deferred Credits					
Estimated prepaid postage in the hands of the public.....	-368,000	-383,000	-468,000	-469,000	-472,000
Prepaid permit mail.....	- 98,158	-100,499	-103,499	-103,499	-103,999
Box Rentals.....	- 26,839	- 48,066	- 50,066	- 50,066	- 50,566
Total.....	-492,997	-531,565	-621,565	-622,565	-626,565
Less: Unfunded postage in hands of the public...	300,000	300,000	300,000	300,000	300,000
Deferred credits.....	-192,997	-231,565	-321,565	-321,565	-326,565

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SELECTED WORKING CAPITAL

SELECTED WORKING CAPITAL
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	1974 Actual	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
Liabilities:					
Current Liabilities					
Outstanding postal money orders.....	170,209	244,434	244,434	244,434	244,434
Accrued payroll.....	193,962	235,687	293,818	146,909	175,475
Payroll taxes and civil service retirement including amounts withheld:					
Retirement funds.....	362,078	83,464	103,610	102,400	108,500
Federal payroll taxes.....	54,613	57,455	71,325	71,550	74,900
Social security taxes.....	1,268	1,595	1,715	1,720	1,850
Life insurance funds.....	2,823	5,594	6,095	5,750	5,900
Health insurance funds.....	10,925	11,221	19,252	20,100	22,600
State payroll taxes.....	21,255	26,110	32,100	31,486	33,339
Total.....	452,962	185,439	254,097	233,006	247,089
Workmens compensation.....	33,326	55,904	69,580	74,580	84,580
Accounts payable to U. S. Government agencies:					
Trust funds.....	12,871	17,342	17,342	17,342	17,342
Airline revolving fund.....	...	...	5,000	5,000	5,000
Savings bond deductions.....	10,999	9,184	9,204	8,950	9,010
Interest payable.....	93,953	61,796	20,348	78,150	100,200
Procurement and miscellaneous accruals.....	117,803	95,117	67,223	67,675	67,565
Total.....	...	...	119,117	177,117	199,117
Other accounts payable and accrued expenses:					
Carriers of mail.....	78,673	45,545	47,050	49,510	49,750
Foreign countries.....	16,048	26,790	24,800	25,150	25,800
Delivered unpaid capital assets.....	7,711	3,979	3,979	3,979	3,979
Union dues, charitable and financial withholdings.....	2,887	3,311	3,425	3,050	3,350
Miscellaneous undistributed collections.....	2,874	39,678	39,150	39,700	40,050
Miscellaneous accruals and approved invoices.....	91,054	129,678	131,593	132,233	131,805
Interest payable - bonds.....	7,319	6,762	6,762	2,825	2,825
Total.....	206,566	255,743	256,759	256,447	256,759

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SELECTED WORKING CAPITAL

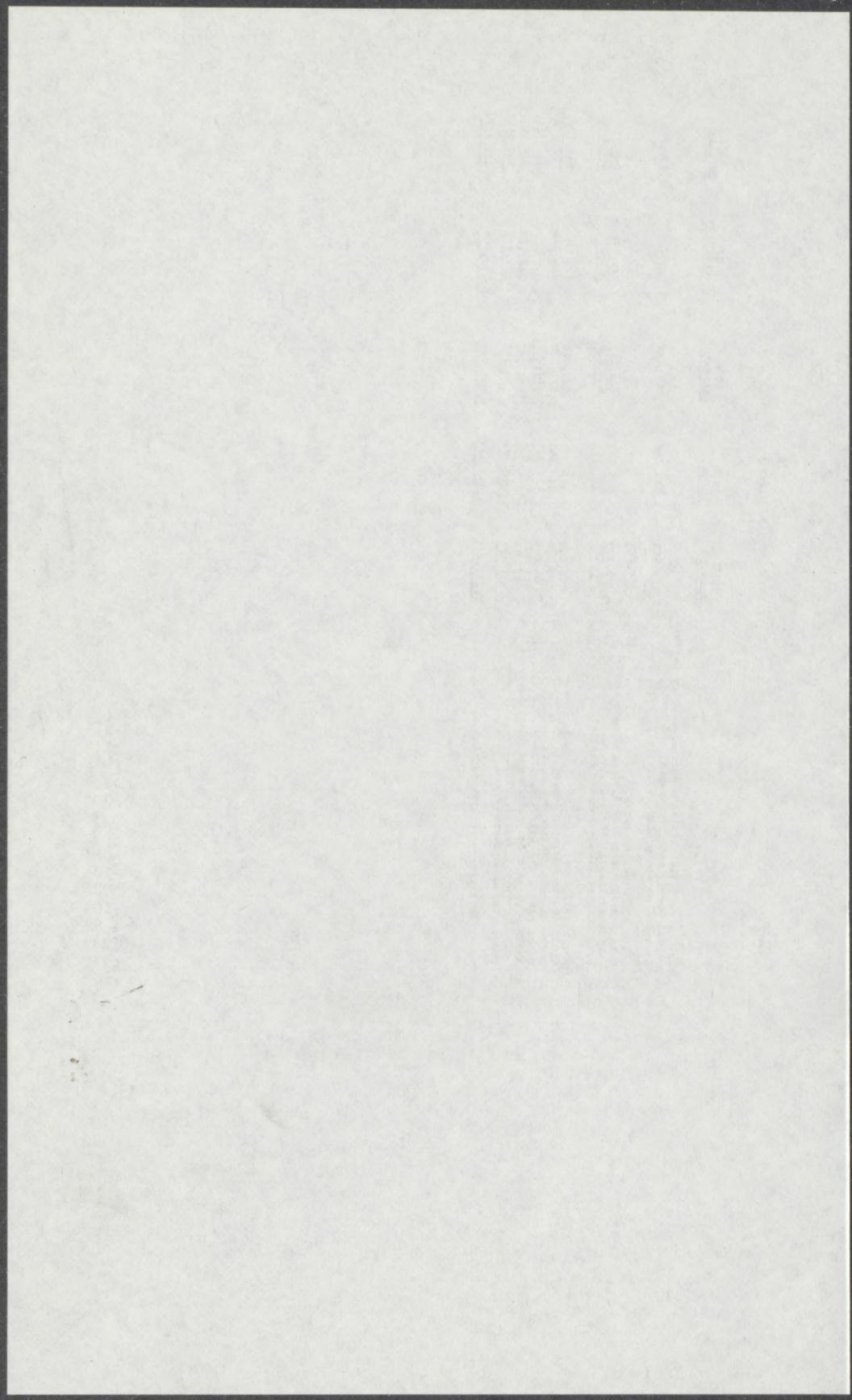
SELECTED WORKING CAPITAL
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	1974 Actual	1975 Actual	1976 Estimate	T. Q. Estimate	1977 Estimate
Total current liabilities - excluding notes payable prepaid permit mail, box rents, and postage in the hands of the public.....	1,174,828	1,073,324	1,217,805	1,132,493	1,208,254
Less:	4,269	...	...	...	...
Other purchase contracts.....	-	244,172	- 249,172	- 249,172	- 249,172
Outstanding money orders, trust funds and unfunded liabilities.....	173,878	829,152	868,633	883,321	959,082
Current Liabilities - working capital.....	996,881	...	...	...	...
Other Liabilities:					
Employees accumulated leave.....	485,085	505,485	523,010	523,100	544,100
Workmens compensation.....	196,628	380,265	511,573	486,795	652,663
Other claims and self insurance.....	21,500	17,525	12,000	...	...
Amounts payable for retirement benefits.....	2,551,405	3,000,239	5,276,385	5,236,385	5,435,105
Postage.....	3,254,618	3,903,514	6,322,968	6,246,280	6,631,888
Less: Untended leave.....	- 301,171	- 270,171	- 239,171	- 231,421	- 200,421
Other Liabilities - working capital.....	2,953,447	3,633,343	6,083,797	6,014,859	6,431,467

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SELECTED WORKING CAPITAL



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