

Y 4
.P 84/10
94-93

1022

9474
P84/10
94-93

MILITARY MAIL

GOVERNMENT DOCUMENTS

Storage

JAN 24 1977

PARRELL LIBRARY
KANSAS STATE UNIVERSITY

HEARINGS

BEFORE THE

SELECT COMMITTEE ON POSTAL FACILITIES,
AND LABOR MANAGEMENT

OF THE

COMMITTEE ON
POST OFFICE AND CIVIL SERVICE

HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

SEPTEMBER 20 AND 21, 1976

Serial No. 94-93

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



U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1976

80-003

Barcode with number 00974476011A

A Y
011489.
88-88

MILITARY MAIL

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

DAVID N. HENDERSON, North Carolina, *Chairman*
MORRIS K. UDALL, Arizona, *Vice Chairman*

DOMINICK V. DANIELS, New Jersey	EDWARD J. DERWINSKI, Illinois
ROBERT N. C. NIX, Pennsylvania	ALBERT W. JOHNSON, Pennsylvania
JAMES M. HANLEY, New York	JOHN H. ROUSSELOT, California
CHARLES H. WILSON, California	ANDREW J. HINSHAW, California
RICHARD C. WHITE, Texas	JAMES M. COLLINS, Texas
WILLIAM D. FORD, Michigan	GENE TAYLOR, Missouri
WILLIAM (BILL) CLAY, Missouri	BENJAMIN A. GILMAN, New York
PATRICIA SCHROEDER, Colorado	ROBIN L. BEARD, Tennessee
WILLIAM LEHMAN, Florida	TRENT LOTT, Mississippi
GLADYS N. SPELLMAN, Maryland	
STEPHEN L. NEAL, North Carolina	
HERBERT E. HARRIS, Virginia	
WILLIAM M. BRODHEAD, Michigan	
PAUL SIMON, Illinois	
NORMAN Y. MINETA, California	
JOHN W. JENNETTE, JR., South Carolina	
STEPHEN J. SOLARZ, New York	

JOHN H. MARTINY, *Chief Counsel*
VICTOR C. SMIROLDO, *Staff Director and Counsel*
THEODORE J. KAZY, *Associate Staff Director*
ROBERT E. LOCKHART, *Counsel*
J. PIERCE MYERS, *Assistant Counsel*
DAVID MINTON, *Associate Counsel*

SUBCOMMITTEE ON POSTAL FACILITIES, MAIL, AND LABOR MANAGEMENT

CHARLES H. WILSON, California, <i>Chairman</i>	
ROBERT N. C. NIX, Pennsylvania	ANDREW J. HINSHAW, California
WILLIAM (BILL) CLAY, Missouri	ROBIN L. BEARD, Tennessee
PATRICIA SCHROEDER, Colorado	
WILLIAM M. BRODHEAD, Michigan	
PAUL SIMON, Illinois	

Ex Officio Voting Members

DAVID N. HENDERSON, North Carolina	EDWARD J. DERWINSKI, Illinois
(GEORGE B. GOULD, <i>Subcommittee Staff Director</i> , Room 122, Cannon Building—Ext. 53718)	

CONTENTS

Testimony of—	Page
Benson, C. Neil, Chief Postal Inspector, U.S. Postal Service, accompanied by James V. Jellison, Assistant Postmaster General, Logistics Department, U.S. Postal Service-----	2
Gelfand, William, senior vice president, The Flying Tiger Line Inc.; accompanied by John Godwin, director of postal affairs, The Flying Tiger Line Inc-----	55
Hyman, Paul J., Director for Transportation and Warehousing Policy, Office of the Assistant Secretary of Defense, Department of Defense; accompanied by Col. Lloyd L. Wyatt, Director, Army Postal Directorate, The Adjutant General Center, Department of the Army; Comdr. Charles C. McIntosh, Head, Navy Postal Affairs Branch, Office, Chief of Naval Operations, Department of the Navy; John E. Terrack, Chief, Postal Policy Division, Office of the Director of Administration, Department of the Air Force; William J. Merrigan, Office of the Staff Judge Advocate, Military Airlift Command; and John R. Stapleton, Office of the Director for Transportation and Warehousing Policy, Office of the Assistant Secretary of Defense, Department of Defense-----	34
Simms, Arthur H., Director, Bureau of Economics, Civil Aeronautics Board, accompanied by Michael B. Fingerhut, Attorney, Bureau of Economics, Civil Aeronautics Board-----	27
Wood, Ernst F., director, postal service, Pan American World Airways, Inc-----	50
Statements and communications from—	
American Institute of Merchant Shipping-----	78
Clarke, William H., director of cargo pricing and industry affairs, Trans World Airways, Inc-----	68
Hahn, H. Bentley, executive vice president, Mail Order Association of America-----	83
Mahoney, John H., senior vice president, sales, Seaboard World Airlines, Inc-----	73
Maskin, Alfred, executive director, American Maritime Association--	75
Parker, Earl C., letter dated August 27, 1976-----	85
Schon, Robert J., director of mail and express, Northwest Airlines, Inc-----	62
Shepard, James J., colonel, U.S. Air Force, Director of Administration, letter dated September 14, 1976, to the Chief Postal Inspector--	86
Staunton, Vincent P., vice president of marketing services, Sea-Land Service, Inc-----	80
Woodruff, Jack M., director, postal and cargo service development, Braniff Airways, Inc-----	66
Additional material—	
Postal agreement with the Department of Defense-----	18

COZMETE

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

MILITARY MAIL

MONDAY, SEPTEMBER 20, 1976

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL FACILITIES,
MAIL, AND LABOR MANAGEMENT,
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 311, Cannon House Office Building, Hon. Charles H. Wilson (chairman of the subcommittee) presiding.

Mr. WILSON. The subcommittee will come to order.

It has been over 5 years since a committee of the Congress focused its attention on the important subject of the military mail.

The military mail system today provides service to more than 1½ million U.S. servicemen and their dependents stationed abroad and thousands of other Americans, including State Department personnel on foreign assignment, in at least 53 countries.

We enter this investigation openminded with a determination to learn the facts.

I might say that I personally learned of some difficulties and delays in the transport of military mail during a recent inspection tour I made to the Far East. Apparently this problem stemmed from confusion over the respective responsibilities of Armed Forces and airline personnel involved in expediting the transport of mail.

Fortunately, in our preliminary investigation we have discovered considerable interest by all parties in reviewing procedures and policies employed in the military postal operation.

I am confident that this apparent willingness to cooperate will insure that our sessions this week will provide a comprehensive hearing record which could allow us to move ahead expeditiously with necessary legislative changes early in the next Congress, if, indeed, any legislative action is clearly called for.

Hopefully, the simple airing of various problems at the hearings this week will also result in greater understanding and cooperation by the involved parties, and thus better service to our military forces abroad.

Testimony will be given by representatives of the appropriate governmental agencies, the U.S. Postal Service, Civil Aeronautics Board, and the Department of Defense; managers of the major airlines which carry military mail; and shipping industry officials.

Today we will begin with the U.S. Postal Service and the Civil Aeronautics Board. I might say that the problem that was brought to our attention had to do with the procedure under which the airlines received contracts to deliver military mail on a space available basis.

Unfortunately, at the time when the military mail is most important, particularly around the holiday season, the airlines, in a large number of instances, have not found space available.

It is my personal feeling that different types of contracts may have to be developed between the Postal Service and between the airlines, in order that there will be a guaranteed delivery of this mail and not have it laying at the airports and have it being set aside as secondary mail to textiles and things of this type that are being brought over to the country.

This was the situation we found, and we expect the airlines to be able to justify the fact that they asked for contracts of the type that they have, which are apparently very lucrative, and there is no guarantee that they will deliver the mail, which is extremely important mail, as I had indicated.

If we are mistaken or if I am mistaken in my own view of what has taken place, we are going to have sufficient opportunity for those involved to straighten me out.

Our first witness is Mr. Neil Benson, the Chief Postal Inspector for the U.S. Postal Service and Mr. James Jellison, Assistant Postmaster General, Logistics Department, U.S. Postal Service.

If you gentlemen will join us at this time at the table and present whatever testimony you care to.

STATEMENT OF C. NEIL BENSON, CHIEF POSTAL INSPECTOR, U.S. POSTAL SERVICE; ACCOMPANIED BY JAMES V. JELLISON, ASSISTANT POSTMASTER GENERAL, LOGISTICS DEPARTMENT, U.S. POSTAL SERVICE

Mr. BENSON. Mr. Chairman and members of the subcommittee, I am C. Neil Benson, Chief Postal Inspector of the U.S. Postal Service. Accompanying me today is Mr. James V. Jellison, Assistant Postmaster General, Logistics Department.

We welcome the opportunity to appear before this subcommittee today to testify about the Postal Service's role in handling military mail. As requested, we have prepared and sent to you a rather lengthy formal statement concerning this subject. With your approval, Mr. Chairman, I will read a summary containing highlights of the prepared statement and submit the comprehensive statement for the record.

Mr. WILSON. Fine. I appreciate that.

Mr. BENSON. Postal Service for all branches of the Armed Forces is provided by the U.S. Postal Service with the assistance of the Department of Defense. In recognition of the need for coordinated and efficient postal service, the Department of Defense and the former Post Office Department entered into a formal agreement on February 2, 1959, setting forth the responsibilities of each department.

Under the terms of the agreement, the Postmaster General has designated the Chief Postal Inspector as the Postal Service official to maintain continuing liaison with the military postal authorities and to represent the Postal Service in carrying out the terms of the agreement.

At the outset, I would like to discuss the various categories of military mail. Three categories of mail are eligible for air transportation to or from military post offices overseas.

First, mail exceeding 13 ounces may be sent by airmail through payment of domestic priority mail rates.

A second category is military official mail (MOM), also referred to as military ordinary mail.

Space available military mail (SAM) is the third category.

Parcel airlift (PAL) mail is another category of military mail. PAL mail is merged with SAM mail between the United States and the overseas military base. All other overseas military mail goes as surface military mail.

The Postal Service Logistics Department arranges and pays for the distribution and movement of military mail in Postal Service channels within the United States, including its territories, commonwealths, and possessions. In coordination with military postal officials, it arranges for the movement of military mail between the United States and overseas mail terminals.

Dispatches overseas are made in accordance with requirements outlined by military postal authorities to our Postal Concentration Centers in San Francisco, Seattle, and New York.

The Postal Service bears all of the expense involved in the acceptance, handling, transportation, and sorting of military mail within the United States. The military departments bear the expense of transporting mail between the United States and overseas military terminals and are responsible for handling transportation, and delivery within the overseas area.

The military postal services are extensions of the civilian postal service.

We believe that our existing air and surface postal transportation systems are generally adequate in terms of capacity, regularity, reliability, and speed to meet requirements for the transportation of military mail.

However, there are two areas in which we believe there is room for further improvement. First, the law establishing SAM mail does not clearly define the term "space available." It also does not provide clearly defined "time limitation" criteria for handling mail before other modes of transportation can be used. Further, it does not adequately describe "other modes of transportation" or procedures to follow, when there is no space available. These have been left to the varied interpretations of the Postal Service, the military departments, and the certificated airlines. It would benefit all concerned if these areas were clarified in any future revision of the law.

In a second area, we are concerned with procedures for distributing military mail. Present distribution patterns and separations, based on information furnished by military authorities, differ from the normal patterns for handling domestic and international mail.

In the immediate future, we intend to establish a test to investigate the advantages of a single distribution system. If the results are favorable, we will pursue the matter with Defense Department authorities.

This concludes my statement. We would now like to respond to your questions.

Mr. WILSON. Mr. Jellison, do you have any statement or are you just prepared for questions?

Mr. JELLISON. In response to questions, sir.

Mr. WILSON. Thank you very much.

Mr. Benson, in your statement you ask for a clarification of the legislative definition of space available mail. What specific suggestions do you have in this regard?

Mr. BENSON. I don't believe we are prepared to give a definitive analysis on that, Mr. Chairman. We would like some consideration given to the time limit that should be imposed before the airlines must take the mail. In other words, we interpret it now that they should carry the mail within 48 hours, but if they cannot carry it in 48 hours, the alternative mode of transportation might be to put it on a ship or we could wait longer.

We would suggest that some consideration be given to setting a time limit for when the space available procedure is to be implemented. In other words, within a certain number of hours before the flight would leave, if space was available at that time, they must take it.

Mr. WILSON. In our 8th Army Headquarters in Seoul, Korea, we were led to believe that there are sometimes several weeks when mail is left at the airport, waiting for space available. There has been quite a textile industry development in Korea and that product is getting preference on the airlines. Obviously, there has to be something done to deal with this problem.

Mr. BENSON. We believe so.

Mr. WILSON. Under the present conditions, doesn't the SAM law benefit the airlines in insuring the full utilization of space?

Mr. JELLISON. Well, definitely; I believe it does. Any time we can top off the cargo loads with space available mail, it has to be to the advantage of the airlines.

Mr. WILSON. Can you describe the Postal Service position on any changes that should be made in the three-tier system for military mail and what priority should they received in carriage aboard the aircraft?

Mr. JELLISON. In the pending international rate case before the CAB, we have advocated a two-tier system, which is essentially a "regular mail" tier which would have a priority lower than passengers and baggage and a second tier of "deferred" mail which at the present time would include SAM, but at any time the Postal Service was able to develop some other deferred mail within the domestic system, it could also include that with the military mail.

Mr. WILSON. There is a difference in the weight and size limitation of SAM parcels that can be mailed in the United States to overseas points as against that mail from overseas to U.S. points. Because of this, Senator Moss recently sponsored an amendment to H.R. 8603, which was defeated in conference, to eliminate the difference in restrictions between outgoing and incoming parcels.

What is the Postal Service position on this issue?

Mr. BENSON. We have no objection to that elimination or the combination. You would have the same size going both ways. We don't believe it would be significant.

Mr. WILSON. The Postal Service has no feeling one way or the other?

Mr. BENSON. No, sir.

Mr. WILSON. Apparently this change would benefit the air carriers versus the surface carriers. Is that right?

Mr. BENSON. I am not sure. I would hesitate to say.

Mr. WILSON. I suspect it would. What is your position on the present CAB ratemaking procedure for military mail?

Mr. JELLISON. We agree that the process has been extremely cumbersome and slow. However, we have more concern with the rate structure itself. We presented exhibits before the CAB that would advocate a stronger emphasis on space utilization rather than weight. The procedure itself, though, sir, has been slow. The CAB, I am sure, will testify the present case has had a long time in coming to a decision and we have been operating on temporary rates and, of course, that causes some problems for all involved, the airlines as well as the Postal Service, in recordkeeping.

Mr. WILSON. What causes these delays in these rate procedures? We have run into the same type of problem at the Postal Rate Commission. Is this just an effort to protect everyone, do you think there is unnecessary legal delays?

Mr. JELLISON. Well, I believe there is much detail involved in these cases, and there is pretty hot debate back and forth on principal points. It does take time to work through those things.

Mr. WILSON. Why does the Postal Service seek exclusive contract privileges for the transportation of mail by air?

Mr. JELLISON. We took advantage of the hearings this summer on the deregulation and our position was that we would like to have a contracting option to exist, that where we could provide better service or reduce our processing cost, at least have the option to contract. We don't see this as replacing scheduled combination aircraft but we would like to have the option of contracting in those cases where it's not meeting our needs.

Mr. WILSON. Does any other agency have this independent authority outside CAB?

Mr. JELLISON. To my knowledge, I can't answer that very precisely. I understand the Military Air Lift Command has contracting authority, but I really don't know.

Mr. WILSON. Do you believe that a mail tariff filing system would be an improvement over the present ratemaking system?

Mr. JELLISON. We see no great advantage to it. It may be an improvement but in our opinion it would be insignificant. The tariff filing system has continued to cause major rate cases before the CAB in both passenger and freight. We feel, as a shipper of mail in the United States, it's not to our advantage to be considered with other types of cargo shippers. We don't think it's the best solution.

Mr. WILSON. Do you think the present system used for setting MAC cargo rates, with which there is a feature of no retropayment, would be a better system than the present one?

Mr. JELLISON. I'm not sure what kind of a rate system that structure produces. The retroactive feature would be very attractive to us. As I understand that system, they now have a review on an as-needed basis as the rates are stable until the next review, then there is no

retroactive feature. That appeals to us. On the other hand, depending upon the length of delay in reviewing those rates, it could cause undue hardship on either party if the amount of retroactive payment were substantial.

Mr. WILSON. Inspector Benson, I wonder if you can give us a detailed explanation of your role in maintaining liaison between military postal authorities and elements of the Postal Service? That is, do you handle all correspondence, conversations, et cetera, and how many people do you have exclusively assigned to the military liaison project?

Mr. BENSON. We have at the present time upgraded our military liaison function significantly from what it was 1 year ago. We have one full-time inspector detailed to this assignment of military liaison, and he is assisted by a programs officer and a secretary.

In addition to that, he reports to a branch manager of my headquarters, who spends considerable time coordinating military liaison matters. On occasion, my assistant chief inspector for audits and myself engage in correspondence and/or personal consultations with various DOD personnel.

It is on a regular basis. We handle all of the correspondence which relates to policy matters or requests for decisions in that area. It averages approximately 100 pieces of correspondence a month, for various military elements.

In addition to that, numerous telephone calls are completed, approximately 15 a day on the average, involving military elements throughout the United States and sometimes overseas. These inquiries relate to any function of the Postal Service. Since the late 1930's, the inspection service has been designated as the military liaison office. The purpose of doing that was to centralize the Postal Service's contact with the military, in order that there would not be any conflicts with policy or conflicts with the wrong group in the Postal Service answering the wrong question from the military, or exceeding its authority.

We do not respond to questions from the military for logistics, for example. Mr. Jellison would be responsible for that. When questions come through us, we determine whether they are for Mr. Jellison or some other element in the Postal Service and direct them to it; and we keep various records to make sure that prompt answers are made and so forth.

It is a time-consuming function, but one that we feel is very worthwhile in improving the mail operation.

In addition, the inspection service handles approximately 36 percent of the total number of inquiries received from the military elements. Some of these include matters such as mail theft, complaints from military personnel about mail service, complaints, of course, from Congressmen and Senators on behalf of their military constituents.

We inspect military installation post offices in the United States and cooperate in investigations of criminal violations overseas, as well as in the United States, with the military investigative agencies.

Mr. WILSON. Do you feel that the staff you have is adequate to do the task that they have?

Mr. BENSON. Yes; I do. Particularly since we have upgraded it this past year.

Mr. WILSON. You state the overseas transportation of military surface mail is arranged and is paid for by the Military Sea Lift Command. Why isn't it the same procedure followed for Military Air Lift overseas?

Mr. BENSON. I think it is probably just a long evolutionary process, Mr. Chairman. I think that the sea lift preceded, of course, the air lift by many years, but I am not sure if I know exactly why it is the way it is now. Maybe, Mr. Jellison can answer.

Mr. JELLISON. I am afraid I am in the same position as Mr. Benson. I don't know. The best I can understand it, because of the documentation and so on, it might be more practical for the airlines and not the ships, but I don't know that really.

I suspect Mr. Benson is exactly correct, it just evolved this way.

Mr. WILSON. Is there anything distinctive about one or the other that would justify keeping two different systems. Could surface and air be handled similarly?

Mr. BENSON. I don't believe we would oppose changing that particularly, at least not at this point in time. We would have to study such a proposal.

The only thing offhand I can think of would be the volume. Of course, there would be larger volumes going to less centralized places, less volume in the sea lift.

With the air lift, there could be smaller volumes and also more transfers between the airlines, and it might be very difficult for them to maintain the proper records.

Mr. WILSON. Last week members of my subcommittee staff inspected the USPS facilities that handle military mail in the New York area. One of the problems which the postal personnel brought to their attention was the apparent unnecessary detailed separation of mails to overseas points, particularly in the instance of Government agency mail.

Do you feel some effort should be made to eliminate this superfluous sorting?

Mr. BENSON. We definitely do, Mr. Chairman.

I should point out that the agreement between the Postal Service and the Department of Defense requires the Postal Service to make whatever mail sortation is requested by the military services, and the sortation that you point out at Kennedy is as the military has wanted it in the past. We are presently negotiating an agreement with DOD for a procedure which we believe would be more effective and may possibly decrease the time for transportation overseas by 1 day. This procedure is scheduled to go into a test system very shortly, between APO's in Europe and the Kennedy AMF. The procedure will be not to sort the military mail to the fine sortation. We will ship it to them in bulk, and they will sort it to a much finer sortation overseas. And the retrograde mail coming back to this country would also be shipped to us in bulk, and we would give it the necessary fine sortation at Kennedy in order to deliver it domestically.

If this test is successful, and the Department of Defense has agreed to the test, we will probably implement it nationwide and solve that particular problem.

Mr. WILSON. We have a letter from the Department of State. I will read it to you. It says:

The Department of State Office of Communications is willing to meet with the U.S. postal officials for the purpose of exploring means to alleviate what we understand to be an excessive separation problem of APO mail destined for U.S. embassies abroad.

It is suggested the Department of Defense officials concerned with the APO and FPO policy, transportation matters also be in such a meeting.

The Department of State is interested in matters pertaining to improved APO service, especially since more cost effective operations would be obtained.

Apparently, this is something that should be done, for you to meet with the DOD, the Department of State, and try and work out a better system than what is now being used.

Don't you agree?

Mr. BENSON. As I understand, you are talking about Embassy mail, is that correct?

Mr. WILSON. Yes.

Mr. BENSON. I don't believe—

Mr. WILSON. Doesn't a large amount of the mail involve Embassy mail?

Mr. BENSON. I believe that is a separate issue from the military. The Embassy mail is diplomatic mail, which is primarily sorted here in Washington, D.C.

Mr. WILSON. Apparently, military mail handles that now.

Mr. BENSON. They might handle, transportation. I could check on that.

Mr. WILSON. Do you think you folks could initiate a meeting of this type and see what you can come up with between your three agencies?

Mr. BENSON. I am certain we can.

Mr. WILSON. Fine.

Mr. BENSON. I am somewhat familiar in that there is a problem in distributing embassy mail down to the very fine sortation. It is very difficult and costly for the Postal Service. I think they have initiated some overtures to the various State Department elements to see if they can't get some improvements in that area.

Mr. WILSON. Is it embassy mail coming back here?

Mr. BENSON. I believe it is going out. I am really not familiar with that at this point.

Mr. WILSON. Is it true that a large percentage of SAM parcels initiate from catalog houses, such as Sears and J. C. Penney?

Mr. BENSON. We don't believe it is a large proportion. Mr. Jellison perhaps can give more correct figures.

Mr. JELLISON. We really don't know what the percentage is from commercial firms, from those large catalog firms, I think catalogs alone were about 2 percent of the total SAM mail volume in 1975, but the merchandise itself we don't really have any way of knowing what percentage of that is made up of SAM mail.

Mr. BENSON. I might add, Mr. Chairman, the GAO did make a recommendation recently after one of their audits that the Postal Service reconsider its policy which permitted catalogs to be carried in SAM mail. Although they found in their audit that the Postal Service has certainly followed all its procedures and was well within its legal right to carry catalogs as SAM, they felt it was probably not in the best interest or the intent of the Congress.

Subsequent to that, various negotiations were undertaken, and the Postmaster General has recently written a letter which indicates we will not, in the future, carry the catalogs as SAM mail. They will be excluded from that rate.

Mr. WILSON. Apparently the commercial firms in being able to utilize the SAM mailing procedures are able to take advantage of the military postal rates.

Offhand, I don't know if there is anything wrong with catalogs being sent overseas. I think everybody likes to look at a catalog occasionally and perhaps likes to buy from catalogs. However, if there is an advantage given to the commercial firms as a result of using SAM military mail, that is something that should be looked into, especially if it amounts to a significant amount of mail.

Mr. BENSON. I would like to point out, for example, the catalog itself would not have exactly the same time value as the merchandise shipped in response to a catalog order from overseas military personnel. I think the present postal policy is that the commercial shipments should be carried in the SAM mail. My personal opinion would be that they certainly should. I think the speed and service to our servicemen are well worth this carriage. I think that any increase in cost would automatically be passed on to the servicemen anyway.

The mailer is obviously not going to absorb any increased mailing cost. He would either ship it by ship, which would get it there much later for the serviceman, but that is a personal opinion, Mr. Chairman.

Mr. WILSON. Members of the staff, while in New York, were also advised by New York GPO that improved handling could decrease sack misrouting. Do you have any plans to improve the small, hard to read labels they have had difficulty with?

Mr. JELLISON. As I understand the question, it concerns the label holder attached to our mail bag equipment. Over the past 2½ years we have modified the original equipment, which is always used in air transport, to a larger label holder that is easier for airline and postal employees to read the labels. We did have some problem with the computerized label printing for these labels. They were slightly oversized and there was not much we could do about that, except to crease them a little bit as we apply the label.

The other type of equipment that is airlifted—green equipment—we also use it in surface transportation.

We didn't want to get that equipment all mixed up where we had to have mixed inventories, with the green sacks, for example.

Also we are trying to move toward containerization of letter mail that would reduce the need for this green equipment. Therefore, modification of the green bags was not practical.

Mr. WILSON. Thank you, Mr. Jellison.

Inspector Benson, I have before me a copy of the Defense appropriation reports for 1976 and 1977. There are two proposals concerning the movement of unaccompanied baggage in the military postal service and the replacement of military postal personnel for continental bases with civil postal employees.

Would you please describe when and what action you might have taken to better implement these programs?

Mr. BENSON. I am very aware of them. That has been one of our primary liaison activities with the Department of Defense for several months. On the shipment of baggage, we have reached agreement with the Department of Defense to conduct a test from Okinawa to four States in the United States. We will accept the unaccompanied baggage as space available mail.

If this test is successful, it would, of course, with the agreement of DOD, be implemented worldwide.

We have worked out the problems of packing, who pays the postage and how it is paid, the availability of insurance rates, and so forth with them.

We have reached full agreement for the test area, and after several months of testing, we will implement it if acceptable to everybody. On the provision of the U.S. Postal Service taking over the responsibilities of handling the mail and delivering it on the military bases in the United States, which I believe is the second part of your question, we have again reached agreement with the Department of Defense on the major issues, and we do not have any major unresolved issues.

We have submitted to DOD a statement which their representatives will sign and which a representative of the Postal Service will also sign. We will then respond to Congress.

The statement has been over at DOD for some time now, and I understand it will be coming back within the next few days.

We should be able to respond to Congress slightly later than the 60 days requested, but we are going to make it. We will, incidentally, assume our statutory responsibility for mail service in the United States for the military bases.

Mr. WILSON. Fine. Mr. Jellison, is cost effectiveness the first priority determining a routing of military mail to the various gateways for sorting and dispatching overseas?

Mr. JELLISON. In determining the routing of mail, I can't say the cost effectiveness has been the primary decisionmaker. It depends on where the cost effectiveness lies, whether within the Postal Service or the Department of Defense. We have situations where transportation costs are less, routed one place, but that can be offset by distribution costs to the Postal Service. We try to balance that. Whatever distribution tradeoffs we have to gain cost effectiveness to the point of transportation. We are getting to the point where we had to, last summer, reroute some of the Postal Service mail in San Francisco that had formerly gone to Seattle, because of the bulk mail network and our keying system within that network.

The distribution tradeoff just was not there. Trying to balance that, we rerouted some of the PAL mail up to Seattle that had formerly gone to San Francisco. There was a small change in volume. We don't anticipate any changes in the future.

Mr. WILSON. I was going to ask about the situation between San Francisco and Seattle. What is the purpose of the tradeoff? If cost is a factor, is it the first priority? Can you explain why Navy air and surface mail was just recently rerouted from San Francisco to Seattle?

Mr. JELLISON. We did quite an analysis as a result of the GAO study that made recommendations. What we did before, the northern tier of

the United States was sending their parcel mail to Seattle and the southern tier to San Francisco. With the implementation of bulk mail network, we could no longer make that distinction in our key system. We could still identify PAL mail in our distribution throughout the United States and even though it had a San Francisco address, we diverted it to Seattle. We did that because there was very little difference in cost to USPS and service to DOD, as a result of going through Seattle. That distribution was made because of cost tradeoffs. I believe, though, sir, as time goes on, we may have to examine, and we are continuing to examine, of course, the volume, whether or not two PCC's on the west coast are economically justified.

Mr. WILSON. Well, of course, both places have bulk mail centers.

Mr. JELLISON. May I take just a moment to explain? Even though the mail is routed to Seattle from the northern tier, they were San Francisco APO's. It had on the address line a San Francisco APO.

While it was a manual process, the manual distributor could differentiate between those APO's that said San Francisco that actually belong in Seattle. We couldn't program our machines to do that. A machine can't do that. The mail was all addressed to San Francisco, but it was diverted to Seattle for transportation.

Mr. WILSON. Explain that again. Where did you have difficulty with the machines?

Mr. JELLISON. The machines, the operators at the bulk mail centers just key the ZIP codes. The ZIP codes on this mail were all San Francisco ZIP codes. We would have had to add manual handling to separate this mail, a handling that wasn't necessary for the volume of mail involved.

Mr. WILSON. I was wondering why you had to send anything up to Seattle.

Mr. JELLISON. Because of the transportation savings. We wanted to keep as much mail up there because of transportation costs. There was some additional cost in domestic transportation, but that was offset by the international transportation out of Seattle.

Mr. WILSON. It is actually a shorter distance to your overseas points?

Mr. JELLISON. Yes.

Mr. WILSON. Mr. Jellison, the military has complained of excessive transportation time required for military parcels destined to Anchorage and outlying military bases. I know that airspace and other transportation space is at a premium between Seattle and Alaska. Have you looked at alternative routings for mail to Alaska, such as directing all mail east of the Mississippi to the BMC in Chicago for dispatch on direct 747 flights to Alaska to alleviate the problem at Seattle?

Mr. JELLISON. No, we haven't.

Mr. WILSON. Is that worth considering?

Mr. JELLISON. It would establish another postal concentration center in the country. We could examine it, sir. I am just not sure what that would tell us.

Mr. WILSON. I think we should look into ways that would provide better service.

Even though it establishes another distribution point it might make sense to do so in this case.

Mr. JELLISON. We will certainly look into it, sir. I should say all our reports indicate, except for adverse weather, we have not heard of service problems into Alaska from Seattle.

Mr. WILSON. You don't have any logjams?

Mr. JELLISON. Except for adverse weather. At one time last year when the ports were closed and the highways were washed out, we airlifted everything.

Mr. WILSON. You don't have difficulties with too little airspace available between Seattle and Anchorage?

Mr. JELLISON. No, sir.

Mr. BENSON. Mr. Chairman, if I might add here, last February, with the cooperation of all the military units, the inspection service and the military units entered into a massive testing program involving letter mail to oversea military personnel. In fact, the first one of its kind. We have considerable statistics on handling from the mailing point to debarkation and from the point of debarkation to the point of arrival overseas and when it is opened and when it is delivered and so forth. These statistics are broken down by APO's and so forth.

I would be happy to make those statistics available to the committee, if it so desires.

Mr. WILSON. Fine. Anything that you have that would be of assistance here. We will have the Department of Defense tomorrow.

The military told us that over half the SAM mail is going by truck now, because of the lack of airspace.

Do you think that the revenues which the Postal Service receives from the Department of Defense represent a fair payment for services performed relating to military?

Mr. BENSON. We believe so, yes.

Mr. WILSON. Since the recent combining of domestic airmail and first-class letter mail, first-class letter mail is being loaded on airlines at lower priority than air parcels. Should this practice be continued?

Mr. JELLISON. Well, yes, it is. The letter mail that was formerly in SAM is now being loaded at the MOM priority, which is less than air priority, airmail, but this was agreed to by the Department of Defense, the airlines and ourselves and letter mail is in all probability being hauled at the same priority as air priority and we are paying the MOM rate.

Mr. WILSON. Who did you say this agreement is between? Between yourselves and the airlines and who else?

Mr. JELLISON. Department of Defense.

Mr. WILSON. Of course, the user is involved here, too. He thinks he's getting first-class service and he's not.

Mr. JELLISON. As a matter of fact, he is getting better service than as indicated by the first-class stamp previously. What happened was, we combined airmail and first-class mail letters into one distribution track domestically. We had no way of—effective way of communicating with the people in the United States that once you had reached the point of debarkation that there was a different level of service for this mail, since we were airlifting it all now domestically.

We talked with the airlines and the Department of Defense about our problem in trying to separate this mail out. In fact, the volume was declining fairly rapidly because of the fact that the customers considered this as an extension of the domestic mail service. Domestically, we were telling them the first-class mail flew.

Mr. WILSON. Isn't it true the USPS instructions require air carriers to report refusals to load air priority mail, but not refusals to load military official mail which now includes letter mail?

Mr. JELLISON. They report to us. Military official mail is reported to us, if they cannot load it. SAM mail is reported to us on an every 24-hour basis, that can't be loaded.

Mr. WILSON. But do your instructions require it, require this reporting?

Mr. JELLISON. Yes. In addition, sir, we have ramp clerks who also have that responsibility.

Mr. WILSON. They are required to report refusals to load military official mail?

Mr. JELLISON. Yes, sir.

Mr. WILSON. Mr. Benson, since 1971 the USPS has spent billions of dollars on new postal facilities and equipment. Has any of this money been directed to the military postal system?

Mr. BENSON. I would have no figure on that at this time.

Mr. WILSON. I have had several inquiries from civilian postal employees who are employed on military bases. They complain that new facilities are badly needed. Also they say they lack adequate numbers of lockboxes, stamp machines, and scales.

Mr. BENSON. Up to the present time, Mr. Chairman, the responsibility for the facilities on the military bases has been the military's obligation. It just depends on their financial resources and their ability to upgrade the particular facility.

Mr. WILSON. Well, again, while we were in Korea, we were told that they have a tremendous shortage of stamp machines and lockboxes. They were prepared to pay for them, but they were unable to get them. Is that because of shortages you people have?

Mr. BENSON. We did provide a large number of pieces of equipment to the military. I don't have the exact number of pieces or the places where they were sent. But the transportation of this equipment overseas was done at the military's cost.

Mr. WILSON. I wonder if you could furnish to us what you have made available to the military in the last, let's say, the last 2 years?

Mr. BENSON. I think we can do that.

Mr. WILSON. Would you have any way of knowing where it went or do you just give it to the military and they distribute it?

Mr. BENSON. I'm not sure. I think we can find out where it went.

Mr. WILSON. Can you furnish the subcommittee with whatever information you have on this?

Mr. BENSON. We will certainly try.

Mr. WILSON. I imagine you agree that workers in the military postal service should be housed in proper facilities?

Mr. BENSON. Absolutely.

Mr. WILSON. In other words, it should be equivalent to that in the domestic Postal Service.

Mr. BENSON. Yes. I would agree with that. I think in the past, Mr. Chairman, and I have visited a number of military bases myself as a field inspector, and sometimes they were not in proper facilities.

Mr. WILSON. Are we in sort of a never-never land here, where there is difficulty in determining whether it's the military or the Postal Service that determines working conditions in military post offices?

Mr. BENSON. I would have to look at the agreement. I believe it would be covered there. I believe it would be the responsibility of the military services. I am not sure they should be comparable to the civilian Postal Service. I think it's probably more generally worded, like adequate quarters and things of this nature.

Generally, I have found that the military services are cooperative and do try to upgrade the facilities when the inadequacies are pointed out to them. They have the same problem as anyone else. It must fit into a future budget and that's usually years following.

Of course, it's never as fast as anybody would like it to happen.

Mr. WILSON. Well, it probably isn't a high priority item in the military budget. Apparently there are some military bases where civilian postal employees operate post offices, then there are other bases where they are manned by military employees. Is that right?

Mr. BENSON. That is the way it has been, Mr. Chairman, but in the future, according to the new law which was passed by Congress, they will all be Postal Service employees staffed facilities.

Mr. WILSON. Even in places like Korea?

Mr. BENSON. Continental United States only. Overseas is the responsibility of the military.

Mr. WILSON. I don't imagine it would be very practical to put career people overseas.

Mr. BENSON. That's right. Of course, the military has different responsibilities; has to close bases, open bases, and in wartime—

Mr. WILSON. Would that include Guam and Hawaii?

Mr. BENSON. Yes. I'm quite sure about Guam. I am positive about Hawaii.

Mr. WILSON. Could you give us some details of the tests you have been holding in Europe with respect to mail processing?

Mr. BENSON. This is the one I referred to earlier. This is one where we will not sort the military mail to the fine detail that we have in the past on this end, and they will not sort the domestic intended mail on their side of the water. Both of us will mass the mail to the recipient, and, therefore, it should reduce the transportation holding time, getting it to the other location faster, where it has to be sorted anyway. It's sorted one time instead of twice.

Mr. JELLISON. Sir, I do have a list of the APO's involved in this test, the average daily volume and the number of separations required.

Mr. WILSON. Fine. If we can have that for the record, I would appreciate it.

Mr. Benson, could you give us an idea of the precautions taken by the Postal Service employees to protect the security of classified materials processed through the military mail system?

Mr. BENSON. The military mail is given the same protection if it's registered and most of the classified material is. It's given registered protection from the time it's mailed until it's received. In the overseas locations, the military mail is provided protection by the military personnel. In the domestic stream, once it hits the United States, the protection is the responsibility of the U.S. Postal Service.

It is the normal protection provided to registered mail.

Within the post office itself, it is secured in locked containers, and signed for each time it's passed on to the next transportation and it is signed for when it's received.

Mr. WILSON. Mr. Jellison, in the USPS brief to the administrative law judge in the mail-rate case, you speak on page 57 of a new category of civil international mail. Could you give us an idea what this is about?

Mr. JELLISON. This is what I was referring to earlier, sir. We presented exhibits to support two categories of mail, regular and deferred. I am not sure that I understand your question.

Mr. WILSON. In the brief, you say that a second class of airmail labeled "deferred mail" would be established. Presently, this category includes only SAM.

Mr. JELLISON. I believe what we are trying to propose there, if there is any change, as a result of the international case, that we could tie directly to anything we may do domestically on a deferred class of mail, that may be developed domestically that would again get us back into a two-tier system, some lower priority first-class mail. The mailer may be able to indicate a lower priority, and to help in our leveling off of our distribution workload.

Mr. WILSON. Finally, would containerization of military mail be a practical way to reduce transportation costs, or are you already doing it?

Mr. JELLISON. We are doing it some now. We think it would be a practical way. We think there is savings in handling of containerized mail and, of course, if there were a containerized rate approved by the CAB we would want to take full advantage of it.

Mr. WILSON. Well, thank you very much, gentlemen. You have helped us get started with our hearings. We appreciate your time and your cooperation. We will excuse you at this time.

Mr. BENSON. Thank you, Mr. Chairman.

Mr. JELLISON. Thank you.

[The prepared statement submitted by Mr. Benson, follows:]

PREPARED STATEMENT OF C. NEIL BENSON, CHIEF POSTAL INSPECTOR, U.S. POSTAL SERVICE

Mr. Chairman and members of the subcommittee, I am C. Neil Benson, Chief Postal Inspector of the U.S. Postal Service. Accompanying me today is Mr. James V. Jellison, Assistant Postmaster General, Logistics Department. We welcome the opportunity to appear before this subcommittee today to testify about the Postal Service's role in handling military mail.

Postal service for all branches of the Armed Forces is provided by the U.S. Postal Service with the assistance of the Department of Defense. In recognition of the need for coordinated and efficient postal service, the Department of Defense and the former Post Office Department entered into a formal Agreement on February 2, 1959, setting forth the responsibilities of each department. The rights and duties of the Post Office Department under this Agreement with the Department of Defense were inherited by the new Postal Service on July 1, 1971, under new 39 USC 2002(c) (5), and section 5(a) of the Postal Reorganization Act (Public Law 91-375). Attached, as Exhibit I, is the March 1972 edition of this Agreement.

Under the terms of the Agreement, the Postmaster General has designated the Chief Postal Inspector as the Postal Service official to maintain continuing liaison with the military postal authorities and to represent the Postal Service in carrying out the terms of the Agreement.

Actually, Inspection Service responsibility for and involvement in military liaison activities trace their origin to 1939. In that year, the Postmaster General designated the Chief Postal Inspector as the military coordinating officer for the Post Office Department. Before World War II, a small group of Postal Inspectors was selected to study and formulate a wartime postal policy. During the War, Inspectors were assigned to maintain a world-wide military postal network and provide mail service to the military commands and their personnel around the world. Thus, for 37 years, the Inspection Service has been directly involved in maintaining liaison between military postal authorities and appropriate elements of the Postal Service.

TYPES OF MILITARY MAIL

At the outset, I would like to discuss the various categories of military mail. Three categories of mail are eligible for air transportation to or from military post offices overseas.

First, mail exceeding 13 ounces may be sent by airmail to or from official or personal military addresses overseas, through payment of domestic priority mail rates.

A second category is Military Official Mail (MOM), also referred to as Military Ordinary Mail. It includes parcels or other matter exceeding 13 ounces and certain letters addressed to or from an official military address overseas for which third- or fourth-class postage has been paid. Transportation within the 48 states is by surface transportation, and between the 48 states and the overseas military base by airlift on a second priority basis after airmail.

By agreement, the same treatment is given personal and official letters, and personal tapes or recordings not exceeding 13 ounces, on which first-class postage has been paid.

Space Available Military Mail (SAM) is the third category. Military mail which receives surface transportation within the 48 states is afforded air transportation, on a space available basis, between the United States and overseas areas or between military post offices overseas.

Outbound mail from the United States eligible for SAM treatment consists of personal packages addressed to a military address overseas, not exceeding 15 pounds and 60 inches in length and girth combined, with postage prepaid at fourth-class parcel post rates.

SAM mail from a military address overseas to the United States includes personal packages or parcels not exceeding 70 pounds and 100 inches in length and girth combined, with postage prepaid at the fourth-class parcel post rates.

Inbound and outbound SAM mail also includes periodicals or newspapers published at least weekly, which are of general interest to members of the armed forces and the public. It may also include official surface mail not exceeding 70 pounds and 100 inches in length and girth combined, where it has been determined jointly by the Postal Service and the Department of Defense that surface transportation is inadequate or infrequent.

Parcel Airlift (PAL) mail is another category of military mail. It consists of surface parcels not exceeding 30 pounds and 60 inches in length and girth combined on which a surcharge is prepaid in addition to the regular surface rate of postage. The PAL parcel is flown within the 48 states on a second priority basis. PAL mail is merged with SAM mail between the United States and the overseas military base.

All other overseas military mail goes as surface military mail. This includes personal or official parcel and other non-letter mail, paid at surface postage rates, which does not qualify for air transportation. Surface transportation within the United States is controlled and paid for by the Postal Service, while transportation overseas is arranged and paid for by the Military Sealift Command (MSC).

As Exhibit II, I have attached statistical data concerning the various categories of military mail. These figures include mail volume by category and geographical area, average air transportation rates now in effect for each area, and air transportation expenditures for FY 1975, the latest year for which complete information is available.

MILITARY MAIL LOGISTICS

The Postal Service Logistics Department arranges and pays for the distribution and movement of military mail in Postal Service channels within the United States, including its territories, commonwealths, and possessions. In coordination with military postal officials, it arranges for the movement of military mail between the United States and overseas mail terminals.

Dispatches overseas are made in accordance with requirements outlined by military postal authorities to our Postal Concentration Centers in San Francisco, Seattle and New York. These centers, usually referred to as PCCs, are established by the Postal Service at the terminal gateway cities through which most military mail passes en route to overseas destinations.

These centers are manned and operated entirely by the Postal Service. They receive military mail from all points within the United States and consolidate it for dispatch to the overseas areas which they serve. In these centers, the mail is sorted according to the military unit of address, tied in bundles and made up in pouches addressed to the appropriate military post office. This requires an extremely fine sortation, but it eliminates the need for further handling overseas.

After processing at a PCC, mail entitled to air transportation is taken to an air terminal facility at a gateway airport. The Postal Service operates these facilities for the documentation and receipt and dispatch of military mail to overseas areas. U.S. flag airlines move the mail to those overseas areas where they are certified to operate. If no flag carrier is available, or if civilian carriers are unable to handle the full volume of mail, the mail is carried by the Military Airlift Command (MAC).

The Postal Service bears all of the expense involved in the acceptance, handling, transportation, and sorting of military mail within the United States, including the transportation of airlift mail to air carrier terminals and the transportation of surface mail to dock areas. The military departments bear the expense of transporting mail between the United States and overseas military terminals, and are responsible for handling, transportation and delivery within the overseas area. The Postal Service pay air carriers for the overseas airlift and obtains reimbursement from military departments on the basis of exact billings. The military departments pay shipping companies directly for the cost of transporting surface mail to overseas points.

After the mail arrives overseas, the transportation to the various APOs and FPOs for delivery to units and individuals is done primarily by the military.

Under provisions of the Federal Aviation Act of 1958, certified carriers are required to transport military mail in accordance with rules and regulations issued by the Postmaster General. The Act further allows the Postmaster General to assess penalties for non-compliance by air carriers with Postal Service Regulations and conditions of service.

The volume of military mail being transported between the United States and overseas areas decreased from FY 1971 to FY 1976. For example, mail ton miles totaled approximately 296 million in FY 1976, a decrease of 56% when compared to about 680 million ton miles for FY 1971.

AREAS FOR IMPROVEMENT

The military postal services are extensions of the civilian postal service. Generally, the service accorded to the military equals that provided the civil population. Most postal services available to residents within the United States are afforded the overseas users of an APO or FPO.

We believe that our existing air and surface postal transportation systems are generally adequate in terms of capacity, regularity, reliability, and speed to meet requirements for the transportation of military mail.

However, there are two areas in which we believe there is room for further improvement. First, the law establishing SAM mail does not clearly define the term "space available." It also does not provide clearly defined "time limitation" criteria for handling mail before other modes of transportation can be used. Further, it does not adequately describe "other modes of transportation" or procedures to follow when there is no space available. These have been left to the varied interpretations of the Postal Service, the military departments and the certificated airlines. It would benefit all concerned if these areas were clarified in any future revision of the law.

In a second area, we are concerned with procedures for distributing military mail. Present distribution patterns and separations, based on information furnished by military authorities, differ from the normal patterns for handling domestic and international mail. We believe that replacing the present separate distribution requirements for military mail will eliminate unnecessary costs, with no reduction in present service commitments. In fact, we anticipate service would improve because the need for multiple handling would be eliminated.

In the immediate future, we intend to establish a test to investigate the advantages of a single distribution system. If the results are favorable, we will pursue the matter with Defense Department authorities.

FOREWORD

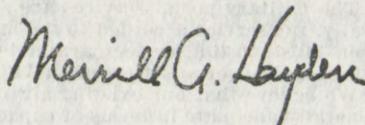
The Postal Agreement with the Department of Defense dated February 2, 1959, and the rights and duties of the Post Office Department under it were transferred to and devolved upon the new Postal Service on July 1, 1971, pursuant to new Title 39, United States Code, Section 2002(c)(5) and Section 5(a) of the Postal Reorganization Act (Public Law 91-375).

In the Agreement, unless the context otherwise requires, reference to the:

- (1) Post Office Department shall be deemed to mean the U.S. Postal Service;
- (2) Chief Postal Inspector shall be deemed to mean the Assistant Postmaster General—Inspection Service.

Postal service for all branches of the Armed Forces is provided jointly by the U.S. Postal Service and the Department of Defense under terms of a formal Agreement as printed in this publication. The Agreement has been published to insure that postal officials concerned with providing postal services to the Armed Forces are fully acquainted with its terms.

Pursuant to paragraph 4 of the GENERAL POLICY STATEMENTS and paragraph 15 of SECTION II of the Agreement the Postmaster General has designated the Assistant Postmaster General—Inspection Service as the U.S. Postal Service official to maintain continuing liaison with the military postal authorities and to represent the U.S. Postal Service in carrying out terms of the Agreement.



Deputy Postmaster General

PREFACE

In recognition of the need for providing coordinated and efficient postal service for the Armed Forces in time of war or national emergency, during maneuvers, and in time of peace, the Department of Defense and the Post Office Department consider it necessary and advisable to enter into the following Agreement setting forth the responsibilities of each department.

DEFINITIONS

For the purpose of this Agreement, military and postal terms are defined as follows:

ACCOUNTABLE MAIL.—A short term for registered, numbered insured, and certified mail.

ARMED FORCES.—The Army, Navy, Air Force, Marine Corps, and Coast Guard.

CIVIL POST OFFICE.—A U.S. post office, branch, station, or money order unit operated by employees of the Post Office Department, or under contract with that Department.

MILITARY DEPARTMENTS.—The Departments of the Army, Navy, and Air Force.

MILITARY MAIL.—Domestic and international mail bearing a military address or return address and which, at some stage in its transmission, comes into the custody of a military department.

MILITARY POST OFFICE.—A branch of a designated U.S. civil post office established by authority of the Post Office Department and activated and operated by one of the military departments to serve members of the Armed Forces. The term includes Army and Air Post Offices (APO's), Navy and Marine Corps Post Offices (NPO's), and such Coast Guard Post Offices as may be established, and units thereof.

MILITARY POSTAL CLERK.—A person of the Armed Forces, officially designated by the Post Office Department, who is authorized by public law to perform postal finance functions and other postal duties. The term includes Army, Navy, Air Force, Marine Corps, and Coast Guard postal clerks.

POSTAL CONCENTRATION CENTER.—A post office or agency of the Post Office Department at which all mail for Armed Forces on maneuvers, afloat, or overseas is concentrated for sorting and delivery or dispatch.

POSTAL EFFECTS.—All items of stock and funds affecting the postal revenue, and funds held in trust for the Post Office Department. These include postage stamps, stamped paper, and funds derived from their sale; blank money order forms, funds received from their issuance, paid money orders; and fees for special services. The term also includes accountable equipment furnished by the Post Office Department such as mail keys, scales, and canceling machines.

UNIT MAIL CLERK (ARMY AND AIR FORCE) OR MAIL ORDERLY (NAVY, MARINE CORPS, AND COAST GUARD).—A person of the Armed Forces, appointed by proper authority, to receive and deliver incoming and outgoing mail at a civil or military post office for the unit for which he is designated.

GENERAL POLICY STATEMENTS

1. Military postal service constitutes a primary and vital means for the transmission of official communications and material of the military departments, and personal mail to and from members of the Armed Forces. Accordingly, the necessary facilities, organizations, and procedures will be provided, and precedence given, to assure expeditious transmission and secure handling of military mail.
2. Military postal operations complement those of the U.S. Post Office Department for the purpose of providing military postal service at locations where the U.S. civil postal service does not have authority to operate, or where military considerations require.
3. Military departments will conduct postal operations in conformity with regulations and policies of the Post Office Department and directives of the Department of Defense.
4. Single offices will be designated at the seat of government in the Department of Defense and in the Post Office Department to collaborate in developing basic military postal policy, to coordinate its execution, and to examine postal matters of interdepartmental concern. Specific points of liaison between the military departments and the Post Office Department will be established at postal operating levels as necessary.
5. Policies and procedures pertaining to military postal services will be uniform, consistent with the respective mission, organization, and operations of each military department.
6. Except to the extent otherwise provided for in this Agreement, nothing in this Agreement is intended to establish fiscal responsibility between the two Departments. The settlement of such other financial responsibilities resulting from this Agreement will be the subject of separate action.

AGREEMENT

SECTION I

The Department of Defense agrees that the military departments will:

1. Maintain and operate military postal services in support of military operations and military personnel (a) in areas where the U.S. civil postal service does not operate and (b) in other places where the military situation requires;
2. Maintain and operate appropriate postal headquarters agencies and operating organizations as necessary to adequately perform and administer postal functions, including in-transit mail handling operations under military jurisdiction;
3. Designate single offices at the seat of government which will be the liaison with the designated liaison office of the Post Office Department in all matters concerning military mail, postal operations, and postal inspections and investigations requiring consideration at the Departmental level;
4. Be responsible that arrangements are made with foreign governments, as required, to permit the establishment of military post offices and the conduct of military postal operations in such foreign countries;
5. Furnish the Post Office Department at the seat of government, and its field representatives, information required to enable the Post Office Department to provide efficient and satisfactory postal services to military personnel and units;
6. Establish and operate, in conjunction with postal concentration centers, military postal control facilities to provide information for the distribution and dispatch of mail for oversea and maneuver forces, ships, and other mobile units;
7. In time of war or national emergency, assist or supplement Post Office Department operation of postal concentration centers to the degree, as mutually determined, required by security and prevailing conditions;
8. Establish and operate mail regulating terminals at military aerial ports, as required, to receive (a) outgoing military mails from the Post Office Department for dispatch via military air transport, and (b) incoming military mails via military air transport for entry into civil postal channels;
9. Arrange for the transportation of military mail from oversea military mail terminals to designated military or commercial terminals in the continental United States, and between military postal activities within oversea areas. In those instances where the services of another postal administration are to be utilized arrangements will be made by the Post Office Department;

10. Appoint unit mail clerks and mail orderlies to perform mail handling functions between civil or military post offices and the units for which designated and issue uniform identification cards to such persons;
11. Accept from civil post offices serving military installations and deliver incoming mail addressed to military personnel and units, except mail due for Post Office Department carrier delivery. Accountable mail, the delivery of which is restricted by the sender, will not be released by civil or military post offices to unit mail clerks or mail orderlies for delivery, except when it is impracticable for the addressee to accept delivery in person. In those instances, such mail may be delivered to unit mail clerks or mail orderlies upon written authorization of the addressee;
12. Furnish directory service for insufficiently and incorrectly addressed military mail and endorse each piece to show a forwarding address or reason for nondelivery;
13. Not accept "Collect on Delivery" (COD) mail for mailing at military post offices;
14. Not be responsible for providing special delivery service;
15. Assume financial responsibility, under military claims procedures, for loss, damage, theft, wrong delivery, or rifling of accountable mail after receipt from or prior to delivery to a civil or military post office by unit mail clerks or mail orderlies;
16. Provide that bond is given for all military postal clerks and other persons officially designated to have custody of postal effects unless the Secretary concerned has waived the giving of bond in accordance with law. The military departments will reimburse the Post Office Department, upon submission of claims, in amounts equal to the funds and the value of other accountable postal effects embezzled by, or lost through the negligence, errors, or defalcations, and for funds expended by the Post Office Department in payment of claims arising from negligence, errors, losses, or defalcations, of such unbonded persons;
17. Conduct postal finance services at military post offices to include the sale of stamps and stamped paper, the issuance and cashing of domestic money orders when feasible, and provide certified, insured, and registered mail services. When foreign currency is accepted in postal transactions at military post offices, remittance will be made to the Post Office Department in dollar instruments at the official rate of exchange;
18. Make up and dispatch outgoing military mail in accordance with Post Office Department requirements;
19. Assist the Post Office Department in the transportation of military mail between civil post offices on military installations and the Post Office Department facilities or transportation terminal at which the mail is received or dispatched, when Post Office Department transportation facilities are inadequate to meet unusual conditions;

20. Furnish adequate quarters, utilities, including local telephone service, and janitorial service for civil post offices located at military installations by arrangement between the postmaster and commander concerned. Adequacy of such facilities will be determined jointly by the Post Office Department and military representatives concerned. The Post Office Department reserves the right to discontinue civil post offices on military installations where existing conditions endanger the health, safety, or welfare of its employees;
21. By arrangement between the postmaster and commander concerned, make available to Post Office Department employees, employed at civil post offices located at military installations, on a reimbursement basis, sleeping accommodations and meals comparable to those made available to civilian employees of the military departments at the installation concerned;
22. Assist and cooperate with postal inspectors and other representatives designated by the Postmaster General to survey, inspect, and audit military postal operations, and recognize a Post Office Department Commission or POD Form 1375 for Station Examiner as authority for the performance of such duties;
23. Issue necessary travel orders, and provide Government transportation where necessary, for postal inspectors who, at the request of a military department, are assigned to perform inspections, investigations, or audits of oversea military postal operations. Quarters and messing facilities will be made available on a reimbursement basis;
24. Make periodic audits and inspections of military post offices to verify that accountable postal effects are on hand and properly protected; that all revenue due the Post Office Department is being collected and properly accounted for; that the service rendered is adequate and in accordance with Post Office Department and military regulations;
25. Provide military postal inspectors to conduct surveys, inspections, investigations, and audits of military postal facilities and operations as required to assure proper management of postal finance accounts, efficient mail handling procedures, and adequacy of service;
26. Furnish, on request of Post Office Department representatives, armed escorts for mail containing military payrolls between the local railroad station or other terminal and the civil post office serving the military installation. It is understood the military departments assume no financial responsibility for losses incurred during such movements;
27. Not assign personnel of questionable integrity to duties in military post offices, unit mailrooms, mail regulating terminals, or other postal facilities. Specifically, personnel convicted of crimes involving theft or moral turpitude, or who are disciplined for any action reflecting unfavorably upon their integrity, will not be assigned postal duties.

SECTION II

The Post Office Department agrees to:

1. Provide postal services for the Armed Forces in areas where the U.S. civil postal service operates, to include the establishment of civil post offices on military installations and the usual postal finance, mail handling, carrier delivery and collection, and special delivery services, consistent with U.S. postal laws and regulations, normal standards of the Post Office Department, and changing military requirements;
2. Provide the equipment and furniture necessary for the operation of civil post offices located on military installations;
3. Establish and operate postal concentration centers, as necessary, for the concentration, sorting, and delivery or dispatch of military mail in accordance with requirements of the military departments;
4. Separate mail for the Armed Forces prior to delivery or dispatch to military authorities, as follows:
 - a. For overseas and maneuver forces, ships, and other mobile units, in accordance with information furnished by designated military authorities;
 - b. For the forces at installations in the United States, its Territories and possessions, served by civil post offices to basic military units, or numbered boxes in groups of approximately 200, so far as practicable and mutually agreeable to the postmaster and military authorities concerned;
5. Deliver accountable mail addressed to military personnel, at military installations served by civil post offices, to the addressees or unit mail clerks or mail orderlies upon being properly receipted for. Accountable mail, delivery of which is restricted by the sender, will be delivered to unit mail clerks or mail orderlies only upon the written authorization of the addressee when it is impracticable for him to accept delivery in person at the civil post office;
6. Decline acceptance for mailing of "Collect on Delivery" (COD) mail addressed to naval vessels or military post offices, and not forward such mail to those vessels or post offices;
7. In coordination with military terminal postal officers or other designated military postal representatives, arrange for the oversea movement of military mails to the designated oversea military mail terminals, and arrange for transportation of inbound and outbound military mails between its postal concentration centers of post offices and military or commercial carriers, or mail regulating terminals at military aerial ports. This does not preclude the Post Office Department from making direct arrangements for the transportation of military mail to designed oversea points or between the continental United States and its Territories and possessions when requested by the military departments;

8. Transport mail between civil post offices on military installations and the Post Office Department facility or transportation terminal at which the mail is received or dispatched;
9. Furnish the military departments with information to permit proper separation and routing of military mail by military postal activities prior to its entry into civil postal service channels, in order to facilitate and expedite movement of mail;
10. Authorize the establishment of military post offices as branches of designated civil post offices upon request of the military departments;
11. Furnish for use in military post offices postal equipment and supplies necessary for the handling and dispatch of mails and for postal finance and money order service. Safes, stamp cabinets and drawers, office furniture and machines, distribution cases, and sack and pouch racks, will not be furnished;
12. Extend fixed stamp credits to military custodians of postal effects and postal finance officers from designated U.S. civil post offices. Upon presentation to the Post Office Department of conclusive evidence, developed by a competent board of investigation, of the loss in transit of a shipment of stamps or stamped paper as a result of a casualty, the Post Office Department will allow credit in the amount of the invoice value of the shipment;
13. Assist the military departments by informing postmasters and the public as to proper addressing, applicable restrictions, and other matters concerning military mail;
14. Assign postal inspectors or other representatives of the Postmaster General, as practicable, to conduct surveys, inspections, investigations, and audits of military postal operations to assure the maintenance of efficient and adequate postal service;
15. Designate, at the seat of government, an office to maintain continuing liaison in connection with military postal services and to represent the Post Office Department in dealing with the designated liaison offices in the Department of Defense and the military departments in matters of postal policy or operations as applicable.

This Agreement becomes effective 2 February 1959 after approval and signature by the Secretary of Defense for the Department of Defense and by the Postmaster General for the Post Office Department at which time it supersedes the existing Agreement between the Post Office Department and the Department of Defense, dated 21 August 1950.

FOR THE DEPARTMENT OF DEFENSE: *Secretary of Defense*

FOR THE POST OFFICE DEPARTMENT: *Postmaster General.*

February 2, 1959.

EXHIBIT II

1. Volumes (by category) FY 1975 - Inbound & Outbound (Pounds)

	<u>Atlantic (includes Latin America)</u>	<u>Pacific</u>
Airmail	12,750,000	7,242,000
MOM	9,200,000	8,100,000
SAM	46,800,000	30,100,000
MAC	9,600,000	2,000,000
Surface (MSC)	<u>27,750,000</u>	<u>25,484,000</u>
TOTAL	106,000,000	72,926,000

2. Air Transportation Rates and Cost FY 75A. Transportation RatesAverage Rate Per Ton Mile (U. S. Cents)

	<u>Atlantic</u>	<u>Pacific</u>	<u>Latin America</u>
Air-	.3940	.3542	.5539
MOM-	.3024	.3198	.3041
SAM-	.1697	.1816	.1700

B. Transportation Costs FY 75 (U. S. Dollars)

	<u>Atlantic</u>	<u>Pacific</u>	<u>Latin America</u>
Air-	\$11,455,000	\$ 11,960,000	\$ 589,000
MOM-	6,264,000	10,581,000	284,000
SAM-	16,022,000	24,862,000	1,111,000

FY 76

Air-	\$ 9,463,000	\$ 7,850,000	\$ 373,000
MOM-	7,261,000	9,589,000	418,000
SAM-	15,537,000	18,523,000	799,000

MR. WILSON. Our next witness, Mr. Arthur H. Simms, Director of the Bureau of Economics for the Civil Aeronautics Board. Mr. Simms, if you will give your statement, please.

STATEMENT OF ARTHUR H. SIMMS, DIRECTOR, BUREAU OF ECONOMICS, CIVIL AERONAUTICS BOARD; ACCOMPANIED BY MICHAEL B. FINGERHUT, ATTORNEY, BUREAU OF ECONOMICS, CIVIL AERONAUTICS BOARD

Mr. SIMMS. Thank you, Mr. Chairman. My name is Arthur H. Simms. I am the Director of the Bureau of Economics of the Civil Aeronautics Board. I am accompanied today by Mr. Michael B. Fingerhut, who is an attorney in the Bureau of Economics.

Mr. Chairman and members of the subcommittee, I am pleased to appear here today on behalf of the Civil Aeronautics Board to assist you in your review of the adequacy of the military mail system.

My remarks will necessarily be brief, simply because, under the Federal Aviation Act of 1958, the Board does not have any authority over insuring the expeditious transportation of either military or civil mail. Those duties lie with other governmental agencies, particularly the Postal Service, and with the carriers.

The Board's responsibilities, as delineated in section 406 of the act, are limited to establishing the rates to be paid the carriers by the Postal Service for the carriage of mail in both domestic and foreign air transportation. Therefore, my remarks today will focus upon the current procedures by which mail rates are established and the Board's proposals for changing this system.

The Federal Aviation Act contains two quite contrasting systems for regulating rates and fares in air transportation.

Under the present statutory framework, rates for persons and property are initiated by the carriers by the filing of tariffs. A carrier initiated rate becomes effective, unless the Board determines that it may be unlawful. In that case, the act empowers the Board to suspend the rate and conduct an evidentiary investigation into its lawfulness. However, most rates filed by the carriers are lawful and thus become effective without an evidentiary investigation being held.

On the other hand, section 406 of the act requires the Board to establish mail rates after notice and a full evidentiary hearing.

This requirement means that each time the Postal Service, an air carrier, or the Board itself, seeks a change in the current service mail rates, the Board is faced with the necessity of holding lengthy and time-consuming evidentiary investigations, unless all parties agree to the proposed rates and waive their rights to a hearing.

However, the establishment of new service mail rates usually involve complex and controversial issues and, in recent years, the parties have been unwilling to waive this right. In fact, at the present time, the Board is conducting two mail rate investigations which encompass virtually the entire mail transportation system.

The first investigation will establish new final domestic air mail rates for the period since March 28, 1973. This investigation includes the rate to be paid for the transportation of parcel airlift mail or PAL—the one class of military mail flown domestically. However, it is a rather insignificant issue in the proceeding simply because the volume of PAL mail is rather small: in 1975, PAL traffic represented less than six-tenths of 1 percent of total domestic air mail traffic.

The other mail rate investigation currently being conducted will establish final rates for the carriage of U.S. mail in foreign air transportation for the period after March 8, 1974. The issues in this proceeding include the rates for the three classes of military mail carried by air internationally—priority military mail; military ordinary mail or MOM; and space available mail or SAM. Military mail traffic represents the lion's share of U.S. mail carried in foreign air transportation, accounting in 1975 for nearly 75 percent of total U.S. mail traffic transported internationally and approximately 63 percent of the mail revenues received by U.S.-flag carriers from the Postal Service for the transportation of mail.

The record in each of these mail rate investigations is currently before the administrative law judge for decision. Once these decisions are issued, the Board will more than likely review the record in each case. Thereafter, the Board will issue its final decision in each proceeding and fix the final mail rates for the periods involved.

In the absence of a settlement among the parties, mail rate proceedings usually take several years to complete and the rates remain "open" during the entire period. As I have indicated, the domestic and international mail rates have been open since March 1973 and 1974, respectively, and until the Board issues its decisions and the respective rates are finally determined, neither the carriers nor the Postal Service will know what their respective mail revenues and costs will be for the periods involved.

During the pendency of an investigation, the carriers are paid temporary rates which are set by the Board and are designed to compensate the carriers on an interim basis for the costs incurred in providing mail service. However, even a proposed adjustment, either upward or downward, in the temporary rates during the open rate period, involves complex issues and is hotly debated among the parties. Indeed, if the Board proposes a change in the temporary rates, the parties may demand a hearing, and thus, the Board would be faced with the possibility of holding a proceedings to establish temporary rates at the same time it is conducting a final mail rate investigation. Consequently, temporary rates are seldom adjusted during the open rate period and, when the rates are finally determined, either the Postal Service must pay additional compensation to the carriers or the carriers must pay back overpayments to the Postal Service. Neither can make a final accounting until this is done.

Once final rates are established by the Board, they cannot be changed unless the Board conducts an evidentiary investigation or, as I have indicated, the parties waive their rights to a hearing. Thus, during periods of inflation, the carriers cannot quickly recover the increased costs they incur in transporting mail.

By the same token, declining costs as a result of productivity gains would not expeditiously result in lower mail rates. In addition, the Board must establish rates for new types of mail services.

Consequently, any time a party proposes a change in mail services designed to meet a unique need of the Postal Service or Department of Defense, the Board is faced with the possibility of conducting a cumbersome and lengthy investigation.

We would also point out that the costs of mail rate proceedings are significant for they involve numerous parties. For example, the parties to the international mail rate investigation include the six major U.S.-flag carriers, Braniff, Flying Tiger, Northwest, Pan American, Seaboard, and TWA, as well as the Postal Service, Department of Defense, Department of Transportation, the Board's staff, administrative law judges, and the Board itself.

The costs of such proceedings must be borne by the taxpayers, users of air transportation and users of mail service. It is doubtful that the benefits from the present cumbersome statutory procedures justify the resources required to process these cases, particularly considering that mail traffic accounts for less than 2 percent of the carriers' transport revenues domestically and less than 4 percent of carriers' transport revenues internationally.

The Board is convinced that the current cumbersome statutory procedures for establishing mail rates should be substantially revised. In its regulatory reform legislation currently before the House Committee on Public Works and Transportation, we have proposed major changes in the way mail rates are established. In that legislation, the Board has recommended that section 406 of the Federal Aviation Act be amended to provide that rates paid by the Postal Service for the transportation of mail be established in a manner similar to the way rates for freight and passengers are established—that is, through the tariff filing mechanism.

Similar legislation was first proposed by the Board in 1970, H.R. 16879, 91st Congress, 2d session, on which hearings were held in April of that year before the Subcommittee on Transportation and Aeronautics of the House Committee on Interstate and Foreign Commerce.

In brief, such legislation would require air carriers to file their mail rates with the Board in the form of tariffs. If the Postal Service does not object to the rates and the Board does not order the tariffs investigated, the new tariffs would automatically go into effect 60 days after they are filed. In such cases, the Board would not be called upon, as under present law, to make an affirmative finding, after notice and opportunity for hearing, that the rates are fair and reasonable.

The tariff system would thus enable the Postal Service and the carriers to put new rates into effect promptly and to establish special rates tailored to meet any unique needs of the Postal Service, subject to the power of the Board to suspend the rates only if it appeared that they were unreasonable.

Under this scheme, the rates would be prospective and the lengthy open-rate periods and the retroactivity problems inherent in the present system would be avoided.

Of course, if the Postal Service objects to an existing rate or a new carrier-proposed rate and the Board decides to investigate, the Board would have full powers, after notice and hearing, to prescribe just and reasonable mail rates for the future.

In any event, major and lengthy evidentiary investigations involving numerous parties could be avoided with consequent savings to the parties and the taxpayer.

Mr. Chairman, we urge that you and the members of the subcommittee support this legislation.

Mr. WILSON. Thank you, Mr. Simms. I understand that the MAC cargo and passenger rates are set expeditiously without the retroactive payment features. Have you tried to obtain USPS, DOD, and air carrier support for adopting this procedure?

Mr. SIMMS. The procedure, which we have proposed is the tariff filing mechanism, is the procedure which we are seeking legislation for. We could not under the law utilize the procedure that we used for establishing MAC rates.

Precisely, it is a rulemaking mechanism and, of course, as I have indicated, section 406 requires mail rates be established after notice and hearing.

I might point out, where all parties waive their rights to a hearing, it is—the procedures which the Board employs, which is a show-cause type of procedure, would permit the establishment of rates on a basis quite similar to that which we use for MAC rates.

Mr. WILSON. In the filing of mail tariffs, would an objection by any carrier, by the USPS or DOD be cause for a lengthy hearing?

Mr. SIMMS. Well, to begin with, an objection, the Board will retain the right to make a determination as to whether or not there was a reason for investigating it. Whether it was reasonable to believe that the rates were unlawful. If the Board determined that the rates appeared to be reasonable, it could allow them to go into effect without a suspension or investigation.

Second, if you had a tariff filing mechanism, it is quite possible that the issues posed by the particular tariff would be much narrower than the kind of issues which are normally posed in a mail rate case under the present law, which normally involves the setting of system-wide rates for an entire geographical area for all carriers serving that area.

Tariffs would not necessarily be confined to systemwide tariffs. You might have quite a more narrow issue. You could very well have lengthy proceedings if these were substantial and complex issues that involved an entire geographic area, filed in the tariff.

I would not wish to suggest that tariff filing proposals will get rid of all of our problems.

Mr. WILSON. In the proposal for filing mail tariffs, do you also suggest the removal of all requirements, such as weighing of mail, et cetera, which is set forth in 49 U.S.C. 1375 and 1376?

Mr. SIMMS. We have not proposed any changes in the respective weighing of mail. I do not—I don't offhand see why the change in the ratesetting mechanism necessarily affects one way or the other whatever provisions there are for the weighing of mail.

Mr. WILSON. You state on page 1 of your statement that you set rates. How can you set rates without conditions for carriage such as priority place of acceptance, et cetera?

Mr. SIMMS. I think essentially the conditions of carriage are established by the Postal Service. Although the issue is frequently before the Board in mail cases, and there is perhaps some controversy as to the extent the Board has power to describe conditions of carriage, I think essentially the Board has deferred to the Postal Service in the

setting of conditions and the rates are predicated upon the services as prescribed by the Postal Service.

Mr. WILSON. Under your present ratesetting procedure for SAM mail, can the parties set a higher rate in times of peak generation to assure carriage of the mail without going through a ratemaking hearing?

Mr. SIMMS. Subject to what I said before, the answer to that is no, they may not. The Board must establish all of the rates. The carriers may propose changes. The Board must establish them. If all parties agree to the rates, then the rate can be established. I might say there have been occasions in the past where all parties have agreed and there have been some situations where rates were established in emergency situations, upon agreement by all parties, without the necessity of a hearing.

Mr. WILSON. Could you describe the effect of Universal Postal Union adjustments on the carriage of military mail?

Mr. SIMMS. Mr. Chairman, you are treading a little on the issues in the mail-rate case, which is now pending. If I can beg your indulgence, I would prefer to avoid getting too far into the merits of that case.

Essentially, I think Congress has prescribed what the Board shall take into account, the UPU factors, in determining the service mail rates—the rates for transportation of mail internationally. The issue as to precisely what the legislation means and how it is applied is in the international case and there is a fairly substantial dispute among the various parties as to how that should be implemented.

Mr. WILSON. Do you believe that American flag carriers flying internationally are at a disadvantage to their foreign counterparts in ratesetting?

Mr. SIMMS. That is another issue in the case. Carriers take the position that they are. The position that my bureau has taken in the case is the record does not establish this. The administrative law judge and the Board ultimately will have to decide that issue.

Mr. WILSON. Why did you recommend a container rate in your brief to the administrative law judge?

Mr. SIMMS. I will ask Mr. Fingerhut to answer that.

Mr. FINGERHUT. Essentially, there is no containerization at present. Again, we are setting rates for a period, 1974–75, mail was all tendered in bulk. There was a containerized program that was small, instituted during this period.

But the Postal Service—they were unable to continue the program, because the volume wasn't there to justify the containerized program.

Mr. WILSON. When will the Board give a final decision on the pending rate case?

Mr. SIMMS. Mr. Chairman, my long experience, in responding to questions of that kind is to simply say, I simply cannot—I would not attempt to make a prediction. It is very complex. Both cases are currently awaiting decision of the administrative law judge. The records and briefs in the international and domestic cases are both enormous.

As I indicated in my prepared testimony, the Board would have to take review of the cases because there are a large number of novel issues of quality and law. I would not think that either case would be decided—will be decided in the very near future.

Mr. WILSON. It will not be decided in the very near future?

Mr. SIMMS. No.

Mr. WILSON. Since your testimony indicates that some 75 percent of the U.S. mail transported internationally is military mail, is there any advantage gained by the USPS in a cheaper rate for civil mail? In other words, does the USPS get a break in civil mail because of the military?

Mr. SIMMS. Well, the rates are established on a cost basis. The Board's policy has always been to determine the full cost—to determine the cost of carriage of the mail, using the most reasonable allocation principles, in order to establish the—to separate out the costs for the various kinds of mail carriage from each other and from the cost of carrying freight and persons.

Now, if I understand what you are saying, does the volume of civilian mail affect the overall unit costs of carriage, of the carriage of military mail? Is that your question or the reverse?

Mr. WILSON. Just the reverse.

Mr. SIMMS. I don't believe I can answer that question. My guess would be, there might be some impact on handling costs, conceivably, but whether they will be a very substantial difference in the costs as a result of the increased volume I couldn't say.

Mr. WILSON. Fine. Well, thank you very much.

I recognize that because of the pending cases, that you have had to be rather limited in response to some of my questions. However, I appreciate very much you and your associate being with us.

Mr. SIMMS. Thank you, Mr. Chairman.

Mr. WILSON. We will adjourn at this time and reconvene tomorrow morning at 10 a.m. We will be in room 210 at that time, rather than the present room; and at that time we will have representatives of the Department of Defense, Pan American, and Flying Tiger Airlines with us.

[Whereupon, at 11:05 a.m., the hearing was adjourned, to reconvene at 10 a.m., on Tuesday, September 21, 1976.]

MILITARY MAIL

TUESDAY, SEPTEMBER 21, 1976

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTAL FACILITIES,
MAIL, AND LABOR MANAGEMENT,
OF THE COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:17 a.m., in room 210, Cannon House Office Building, Hon. Charles H. Wilson (chairman of the subcommittee) presiding.

Mr. WILSON. This morning we continue our subcommittee investigation of the military mail system with testimony from the Department of Defense, Pan American Airways, and Flying Tiger Airlines.

A number of important issues were raised yesterday by Postal Service and CAB representatives, and I expect that we will gain a somewhat different perspective on these matters today.

I know that the airlines, and particularly DOD personnel, have some very strong feelings about certain problems in the military mail system as it is currently operated. I trust that our witnesses will be as candid in their testimony as they have been in private discussions with me and with my staff.

Specifically, we want to explore further at this hearing such issues as how effective the liaison between the Postal Service and the Department of Defense really is, how the ratemaking process could be improved, whether or not there are delays in military mail moving to Alaska, and indeed whether or not during peak periods SAM mail is sitting on the ground for substantial periods of time anywhere in the world.

Our first witness will be from the Department of Defense. We have Mr. Paul Hyman, Director for Transportation and Warehousing Policy, Office of the Assistant Secretary of Defense, Col. Lloyd L. Wyatt, Director, Army Postal Directorate, the Adjutant General Center, Department of the Army, Comdr. Charles C. McIntosh, head of the Navy Postal Affairs Branch, Office, Chief of Naval Operations, Department of the Navy, and Mr. John E. Terrack, who is Chief, Postal Policy Division, Office of the Director of Administration, Department of the Air Force.

Mr. Hyman, are you to make the statement on behalf of the group?

STATEMENT OF PAUL J. HYMAN, DIRECTOR FOR TRANSPORTATION AND WAREHOUSING POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, DEPARTMENT OF DEFENSE; ACCOMPANIED BY COL. LLOYD L. WYATT, DIRECTOR, ARMY POSTAL DIRECTORATE, THE ADJUTANT GENERAL CENTER, DEPARTMENT OF THE ARMY; COMDR. CHARLES C. McINTOSH, HEAD, NAVY POSTAL AFFAIRS BRANCH, OFFICE, CHIEF OF NAVAL OPERATIONS, DEPARTMENT OF THE NAVY; JOHN E. TERRACK, CHIEF, POSTAL POLICY DIVISION, OFFICE OF THE DIRECTOR OF ADMINISTRATION, DEPARTMENT OF THE AIR FORCE; WILLIAM J. MERRIGAN, OFFICE OF THE STAFF JUDGE ADVOCATE, MILITARY COMMAND; AND JOHN R. STAPLETON, OFFICE OF DIRECTOR FOR TRANSPORTATION AND WAREHOUSING POLICY, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE, DEPARTMENT OF DEFENSE

Mr. HYMAN. Yes.

Good morning, Mr. Chairman, ladies and gentlemen.

I'm the Director for Transportation and Warehousing Policy for the Department of Defense designated to represent the Defense Department in these hearings on military mail. I have with me representatives from the Military Departments' postal services and other Defense offices for the purpose of answering any detailed questions that you may have with particular reference to their areas of responsibility.

You have already noted the presence at the table of Colonel Wyatt of the Adjutant General's office, Commander McIntosh of the Chief of Naval Operations office, and Mr. Terrack of the Office of the Director of Administration in the Department of the Air Force.

I also have Mr. William Merrigan of the Military Airlift Command and John Stapleton of my office.

I have a prepared statement which I would appreciate presenting to the committee.

The Defense Department provides postal service to its overseas elements through the use of military and civilian manpower, facilities, and appropriated funds. In performing this function, the Department acts as an overseas extension of the U.S. Postal Service. Our postal operations are governed by the same laws and postal regulations applicable to the USPS domestic operations.

Most of the services provided through the expenditure of DOD resources occurs outside the contiguous 48 States. Presently we're serving 1,500,000 DOD patrons located throughout the world, plus the States of Alaska and Hawaii, and other U.S. overseas territories and possessions where our Armed Forces are stationed and there are no USPS facilities or personnel.

To perform this service, we expend approximately \$95 million for overseas mail transportation, and \$45 million in pay and allowances for the some 4,200 military and civilian personnel providing postal services.

We also pay USPS approximately \$120 million annually for domestic postal service.

Details pertaining to the expenditures outlined above are contained in our response to the chairman's letter of August 18 and we'll be happy to discuss that data.

Now I would like to briefly outline how the Defense postal system is organized and functions, and then describe some recent accomplishments and outline our goals for the next few years.

Defense involvement in postal operations basically consists of two separate areas of consideration :

First, our use of the USPS for the transportation and delivery of official mail within the continental United States, and territories and possessions that do not have military post offices.

DOD pays for this service in the same manner as any other use of the U.S. Postal Service.

At this point, I would like to emphasize that this \$120 million only pays for DOD official mail moving in the domestic system. The moneys are not applicable to any overseas postal service, either official or personal, and are not used to provide personal mail service to military members stationed at domestic posts, camps, and stations.

An additional item of expense DOD shoulders without reimbursement is the provision of post office facilities for USPS when they operate in the continental U.S. installations. This support of USPS by DOD also includes the construction of new postal facilities, where required, at our CONUS installations.

Our overseas postal operations commence at three gateway cities: New York, San Francisco, and Seattle. At these points outbound military mail, both personal and official, is directed by the USPS to appropriate transport modes for overseas movement.

Since we do pay all of the resultant transportation bills, we view the operations at the gateway cities as the starting point for DOD management interest in mail destined for overseas.

On inbound military mail, we pay for transportation from overseas to the gateways where USPS assumes the responsibility for delivery to the domestic addresses. Mail processing at the gateway cities is accomplished entirely by USPS personnel.

It is in the overseas theaters that DOD physically assumes the postal function. In those areas, DOD provides, in most instances, full postal service to military members and their families, official DOD users, and a limited number of other authorized patrons consisting primarily of State Department personnel. Service to the State Department will be provided on a reimbursable basis effective in fiscal 1977. We are looking forward to this reimbursement, which will be approximately \$5.3 million for 1977.

These overseas postal services are provided by the joint efforts of the military departments through the operation of air and surface mail terminals, Army and Air Force post offices, called APO's, and fleet post offices, the FPO's.

In numerous locations, operations are consolidated and one service has responsibility for the operations of specified facilities in a given area. This responsibility is assigned on a functional basis, such as Air Force operation of air mail terminals, or we assign this responsibility

on a predominant user basis, which is generally how APO/FPO assignments are made.

DOD conducts extensive postal operations on an intratheater basis; that is, the movement and distribution of mail from one country to another within the theater without the mail entering the USPS domestic system.

For example, a personal letter mailed by a service member from an APO in Germany to a friend at an APO in England can be cited as such postal traffic.

Before this hypothetical letter can be accepted by a military postal clerk at the APO in Germany, it must have a 13-cent stamp, U.S. postage, affixed to it. The 13-cent fee for the postage is remitted to USPS.

All processing and transportation costs associated with such letters are borne by the Defense Department, even though the revenue derived from it accrues to the USPS. It is estimated that in Europe alone, \$500,000 in revenue is annually passed to USPS for this DOD-performed postal function.

Management of DOD postal operations is on a decentralized basis. Each of the military departments has an organization within their headquarters with responsibility for their service's postal operations. The gentlemen accompanying me represent these three organizations. The organizations do not command the overseas postal units; that's the responsibility for the area commanders. These overseas commanders, acting under pertinent postal laws, DOD directives, and service regulations, control day-to-day operations in the field.

Policy matters affecting more than one service and/or the USPS relations are handled by my office, the Directorate for Defense Transportation and Warehousing Policy.

We also serve as the focal point for exchanges between Defense and the U.S. Postal Service on all matters other than operational problems peculiar to a single military department.

Very briefly, that's how we are organized and function in fulfilling our defense postal responsibilities.

We are proud of the quality of postal service that we consistently strive for. Additionally, we recognize and appreciate the significant contributions that the Congress, the U.S. Postal Service, and the commercial transportation industry have made in helping us develop this high-quality service and assuring its continuation in the future.

Some of the efforts we have made in recent years to more effectively and economically fulfill our postal mission are as follows:

In the area of indicia management, this effort, which basically amounts to buying the lowest cost postal service for official mail that will satisfy a mailing requirement, has been singularly successful. The Army alone has reduced its official mail costs from a 1973 bill of \$55 million to a 1975 total of \$43.3 million.

This annual \$11.7 million savings was achieved without any significant decline in service. President Ford personally recognized this achievement in a series of letters to individual members of the Army Postal Directorate on October 15, 1975. The other military departments have achieved significant savings in this program which, among other things, has practically eliminated the use of premium postal

services for DOD official mailings, again without a noticeable reduction in overall postal service.

In the area of transportation management, the Army and the Air Force have developed a computerized program for acquiring extensive information on transportation aspects of military postal operations. This system is called the military automated mail accounting system and has made it possible to gather and analyze transportation data that previously was not accessible or was available only after laborious manual research.

In the area of elimination of duplicative functions and facilities, on a worldwide basis, DOD is reviewing those areas where either unilateral service action or joint efforts by the military departments can eliminate costly duplications of postal effort. As soon as suitable facilities become available in Frankfurt, Germany, the Army and the Air Force will consolidate their postal activities into one jointly-run facility.

The Air Force has eliminated or consolidated district headquarters in both Europe and the Far East.

As improved commercial transportation becomes more available, force restructuring occurs and as U.S. national policy changes, we will make every effort to take advantage of opportunities to streamline our operations through additional consolidations of facilities or elimination, where necessary, of activities not required for good management or the maintenance of a high level of service.

In another area there has been an Air Force postal reorganization. One of the most measurable postal management improvements undertaken within DOD in the recent past has been the restructuring of Air Force's postal command and administration offices. This reorganization, which eliminated a total of 83 personnel positions, was conducted in accordance with GAO-developed recommendations.

Basically, the reorganization involved decentralizing Air Force postal command and control through the elimination of a Washington-based headquarters and reassigning the command mission to the field commanders. This action aligned the Air Force in a manner similar to the other Services.

Our continuing efforts to improve postal management and the quality of service include such things in the future as efforts to clarify certain provisions in the SAM/PAL law and gain more flexibility for DOD implementation.

While the Department of Defense is fully appreciative of the benefits and savings that accrue to both the Department and our members assigned overseas as a result of the SAM/PAL legislation, we believe that if certain provisions in the law were modified its overall effectiveness could be increased at a significantly reduced cost to the Government.

Specifically, we have found that due to a lack of definition of items deemed eligible for space-available airlift, confusion exists which has undoubtedly resulted in the airlift of items that are outside of the intent of Congress when it formulated and passed the legislation.

An outstanding example of this confusion is mail-order catalogs, where differing opinions on eligibility developed between DOD, USPS, and the large mail-order houses. It required a review by the

GAO to determine that although the catalogs probably could be properly categorized as "parcels," a term not adequately defined in either the legislation, postal regulations, or English language dictionaries, the legislative history of the SAM/PAL law indicated that it was not the intent of Congress that catalogs be considered eligible for space-available airlift.

Numerous other problems similar to this exist insofar as other publications are concerned. These problems are not only confusing and frequently disruptive to the mail flow, they are costly to the taxpayer and the uncertainty as to eligibility is aggravating to mailers and patrons alike.

We consider worldwide establishment of weight and girth limitations somewhat unrealistic in view of the vastly differing requirements of our patrons based on geographical locations around the world. These requirements can best be determined by the overseas commanders concerned, in our opinion, with upper limits established by Congress and published in the pertinent postal regulations.

The Department of Defense will be submitting proposed amending legislation to 39 U.S.C. 3401 which, incorporating our experience gained under the existing provisions of SAM/PAL legislation, will clarify and improve the legislation to the benefit of all concerned.

Another area of future development I'd like to address is the USPS assumption of DOD postal functions at continental U.S. military installations.

Recently, DOD and the USPS completed negotiations which resulted in agreement that the USPS will assume a number of postal functions at military installations that presently are being performed by service members. This action was initiated at the request of the Senate Appropriations Committee and was published in their reports on the 1977 appropriations bills.

In addition to desiring to comply fully with the direction from the Senate, the Defense Department endorses this transfer of responsibility since it releases additional uniformed personnel for duties more closely related to the Defense mission.

We believe that this action can be carried beyond the extent of the recently negotiated agreement and will pursue that matter to the point where, hopefully, all DOD personnel within the continental United States are released from postal positions more properly performed by the Postal Service. We look forward to working further on this matter with the USPS.

In the area of postal organization, as we have described our organization, each service maintains a dedicated postal organization under the overall policy direction of the Secretary of Defense. We recognize that this appears inconsistent with the progress we have made in providing common services through a single manager for other functions such as traffic management, airlift services, food procurement, and supply. We are consistently vigilant for opportunities to eliminate unnecessary duplication and overhead in our postal services and are working toward this.

One recent step in this direction on postal organization has been a realignment placing all services under a consistent regional concept of management. We are moving in this single manager direction

slowly because diverse missions of the military departments such as fleet postal support for personnel afloat and the extensive morale considerations of a high-quality mail call dictate caution in making sweeping organization changes.

Mr. Chairman, this has been a brief overview of military postal operations in the Department of Defense. I trust this statement, taken in conjunction with our written response to your inquiries, has been informative and clarified some of the issues before you.

We are prepared to further respond to any questions the committee may have.

Thank you, sir.

Mr. WILSON. Thank you, Mr. Hyman.

Do you think that the present DOD/USPS agreement is completely equitable to both parties?

Mr. HYMAN. Mr. Chairman, we have to recognize that agreement is 17 years old. It was signed in 1959 in an environment of the Post Office within the Government. And I think both parties recognize the need for updating of that agreement.

At that time, in 1959, we agreed—we, the Defense Department, agreed—to shoulder a lot more of the burden than we would have agreed if we were dealing with an outside contractor; for example, giving the Post Office the free use of buildings and utilities.

The new agreement, I think, should allow for more fair distribution of the burdens. As I said in my statement, we've just negotiated an agreement for the replacement of uniformed personnel in our military activity by USPS personnel performing certain functions and I think we're heading toward a more equitable division of the labor.

We would hope that we could get some standards of service in the next agreement which would be comparable to the standards of service that civilians get. You know, at the current arrangement there are no real standards of service set for military mail patrons.

Mr. WILSON. Are there working condition standards for the military personnel who serve as postal employees? In other words, standards similar to what the Postal Service has set for its own people.

Mr. HYMAN. Well, the military personnel are subject to military standards and the USPS prescribes the standards for the postal personnel.

Mr. WILSON. Well, for example, OSHA standards are required for postal facilities. Is there anything like that that the military would be subject to or are you exempt from that type of law?

Mr. HYMAN. The provisions of the act apply to military installations, in that DOD policy requires us to maintain standards which are consistent with OSHA standards.

Mr. WILSON. They do.

Mr. HYMAN. Yes, sir.

Mr. WILSON. Does the 17-year agreement that you have with the USPS need updating? For instance, is that agreement responsible for the hypothetical situation mentioned concerning different mail costs in Germany and England even though the service requirements are the same?

Mr. HYMAN. That's one point that could be negotiated in the new postal arrangement.

Mr. WILSON. Are there any options such as tradeoffs. You say that about \$500,000 is involved in Europe. Are there any other services that the Postal Service could contend that they provide that they are not reimbursed for?

Mr. HYMAN. I think that question would be better addressed to the Postal Service. I'm sure that they might be able to find something that they would claim inadequate reimbursement for and inadequate compensation for.

But the way the Defense Department views it, we're doing more than our fair share under the 17-year-old agreement.

Mr. WILSON. Are you satisfied with the equipment that the U.S. Postal Service has furnished you? For example, Mr. Gould and I were told by military personnel in Korea that they had difficulty even buying needed equipment from the Postal Service, such as lockboxes, stamp machines, and scales.

Mr. HYMAN. The equipment that we do get from the Postal Service is not the newest equipment. In most cases, it's used equipment. And we accept that with some of the same hesitations that anyone accepts a hand-me-down.

We have had some audit reports recently of postage meters, for example, being inoperative or malfunctioning. Our auditors found an activity had three postage meters, but only one of them was actually operating.

We very seldom get a new modern piece of equipment. I am informed that only recently—in fact, it isn't in use yet—we've gotten a stamp vending machine, the MK 2 Star Trek machine, which the post office is going to let an Air Force postal facility use. But that's the first of a kind.

Generally the hundreds of metering machines, vending machines, and scales that we receive have been acquired in a used condition.

Mr. WILSON. Yesterday I asked the Postal Service representatives what new equipment or facilities they had furnished to DOD in the past 2 years.

I wonder if you could furnish the same list to us?

Mr. HYMAN. We can, Mr. Chairman. I have a summary list by military service. It doesn't have the location of the equipment.

Facilities is a much broader term and I think that we could safely say that we received no facilities from the Postal Service. In fact, the opposite is true. We usually furnish the facilities to the Postal Service.

Mr. WILSON. Well, let's say equipment, if you can break it down on that basis.

Mr. HYMAN. I have a summary list I can submit for the record and if the committee needs more detail—

Mr. WILSON. If we need more detail, we'll ask for it.

Mr. HYMAN. I'll be happy to furnish this to you.

Mr. WILSON. Yesterday representatives of the Postal Service stated that they knew of no critical space problems between Seattle and Alaska. Are they right?

Mr. HYMAN. Well, I think the Postal Service would be very interested in knowing the situation. SAM service to Alaska is one of significant shortfall capability.

We have some data from August and July which shows that only 28 percent of the eligible pounds of mail going up there went by air.

I would think it was the intent of Congress under SAM/PAL that closer to 100 percent of air eligible mail go by air.

Mr. WILSON. You say only 28 percent?

Mr. HYMAN. Just 28 percent. So that shortfall has been the subject of a letter from the Air Force to the Postal Service and perhaps Mr. Terrack can elaborate on service to Alaska, if you wish, Mr. Chairman.

Mr. WILSON. In elaborating on it, I wonder if you could also comment as to whether or not a new gateway should be opened from Chicago, for example, instead of having everything pile up in Seattle.

Mr. HYMAN. Well, the Chicago gateway question is an interesting one. I think we'd be very happy to discuss it. Of course, you know that the gateway decision is a USPS decision and we'd all probably question the need for establishing more overhead in a new postal concentration center, but if the volume and the costs dictate and if the Postal Service agrees that the airlift charges to Alaska would be a domestic cost, we'd be very happy to look at that favorably.

But I think maybe the Air Force can elaborate on the service to Alaska. They have corresponded just recently with the USPS.

John?

Mr. TERRACK. Mr. Chairman, we have found that there are excessive transit times on parcel mail to remote Alaska locations, in excess of 20 days for 49 percent of the SAM and 28 percent of the PAL, in excess of 31 days for 11 percent of all parcels.

We feel these are caused by the following things:

There's multiple handling at Seattle. The mail is trucked from the bulk mail center to the postal concentration center, then back to the bulk mail center.

There's excessive running time by the truck contractors that move the mail up the Alcan. I think the normal standard is 96 hours. We have found that it runs 120, 140, 160, and in some cases even 186 hours.

The mail to remote sites in some cases is not being carried on the next available flight from the transfer points. In other words, they take it out of Anchorage and then the bush pilot's supposed to pick it up from there. In some cases, this is not being done.

We have a high incidence of mispitches by the USPS which further adds to the delay. We have enough problem getting the mail out to a remote site and then if the mail does not belong there, it has to come back again and then go back on another flight.

Not all the parcel mail that's accepted at the Alaskan APO's is being flown back. We've found it was not being stamped either SAM or PAL by the U.S. Postal Service in Alaska and as a result it was coming back by surface even though it was entitled to airlift.

However, the post office just recently put an article in the Postal Bulletin reminding postmasters to be sure and stamp the mail accordingly to the service.

We have information available that they have been trucking SAM and PAL since 1974 and we have had extensive complaints from our command. Basically the largest percentage of people there are Air Force in Alaska, sir.

Mr. WILSON. Has this situation just begun or has it been this way for a considerable time?

Mr. TERRACK. Sir, I'm sorry. I could not answer that question. I think it would have to be directed to the U.S. Postal Service.

Mr. WILSON. Mr. Hyman, could you help us?

Mr. HYMAN. I think we'd have to look at the record of service for the last few years to see when the shortfall started. We can submit that for the record, Mr. Chairman.

Mr. WILSON. Apparently there's not too good a liaison between the DOD and the USPS because they told us yesterday they weren't aware of this problem. They seem to feel that everything is going along all right. They feel there is no serious problem. And, of course, we had heard otherwise and I was a little surprised at their answer.

Mr. HYMAN. I think in this particular case it might have been a problem of communication within the USPS.

Mr. WILSON. They've had that.

Mr. HYMAN. We have sent a letter in writing to the USPS on this issue only within the last month. I guess it's a question of who sees DOD complaints within the USPS.

Mr. WILSON. Well, Mr. Benson, the chief inspector, told us he had complete authority for the program. He told us that he handled all communications and conversations.

Do you have a copy of that letter for the record?

Mr. HYMAN. We can submit that.

[See p. 86, for letter referred to.]

Mr. WILSON. Do you think there should be a change in the present SAM law and if so, could you describe any proposed changes in it?

Mr. HYMAN. Yes, Mr. Chairman.

Mr. WILSON. You indicated you were going to sponsor some legislation.

Mr. HYMAN. The proposed legislation is in the formulative stages, so that this discussion is a very tentative one. You know, we need certain legislative clearances before the package is formalized. But I certainly welcome the opportunity to discuss it with such an interested forum.

We think that we ought to provide for SAM to be equalized in both directions, but give some flexibility to the Secretary of Defense, in having authority to consider the differences in overseas theaters, to establish weight and size limits in terms of the specific overseas locations and alternate modes—air or surface. This would allow for a more patron-oriented determination of the SAM/PAL eligibility within certain parameters established by the Congress.

We would like to clarify which second-class publications, newspapers are entitled to be airlifted as SAM.

We want to provide for PAL to be acceptable up to 70 pounds and 100 inches with a variable fee for different weights and sizes.

And we also think we'd want to clarify, as I pointed out, the eligibility of catalogs, resale merchandise, and commercial samples. We'd like to see them specifically excluded by the Congress. However, things like mail-order merchandise which are ordered specifically by military members overseas should be included without question.

These are the kind of changes that we would put together in a legislative proposal and hopefully include in the next DOD legislative package.

Of course, we would——

Mr. WILSON. Would that be written to come to the Post Office Committee or to the Armed Services Committee?

Mr. HYMAN. I think both committees have an interest in it and we'd probably discuss it with both committees.

Mr. WILSON. Do you favor a change in the present procedure for setting mail rates?

Mr. MERRIGAN. Mr. Chairman, I'm Mr. Merrigan.

Mr. WILSON. Yes.

Mr. MERRIGAN. Mr. Chairman, the Department of Defense does have three suggestions under the present law which we would like to see considered.

No. 1, we would suggest deleting the requirement in the current section 406 that every aspect of the rates, including the facilities and services, be governed by notice and hearing on every aspect. That's what covers so much time. And I think that could be deleted. There are other safeguards in law to make sure there is adequate notice and hearing or—to govern that.

A second change is we would like to delete the retroactivity which is now authorized under the same section, which says that the CAB may make rates effective from such date as it shall determine to be proper, because this has a very serious effect on our own budgetary requirements, and we're now faced with a million, or a number of million dollars' retroactive payment that has to come out of some other budget that we need.

We would also like to have the law changed where it now presently states that the Board is empowered to set rates on petition of the post office or the carriers and state also that the DOD is empowered to petition the Board for changes in the rates for facilities used or services connected therewith. Right now we have no real procedure where we can ask the Board to make determinations of what facilities should be given to the DOD or what services or conditions of carriage should be attached.

Mr. HYMAN. OK.

Mr. WILSON. Fine.

Now I wonder if you can give us your opinion of the respective merits and disadvantages of the following systems:

First, the exclusive contracting authority to the U.S. Postal Service.

Mr. HYMAN. Mr. Chairman, if when you talk about the exclusive contracting authority by USPS—we're referring to the absence of CAB in the process—we have certain reservations and questions on that. We are concerned that a bilateral negotiation between USPS and the carriers might lead to some destructive competition and misplacing of priorities in terms of the relationship between SAM/PAL and the rest of the Postal Service's patronage.

But we don't know what our role would be, what the Military Airlift Command would do—that is our agency in this particular case. What would the role of the military be in such an exclusive contracting authority?

We feel as if we have a lot to contribute to the current process and I think excluding CAB and introducing a new relationship for DOD might introduce some complications that we couldn't live with.

Mr. WILSON. How about the filing of mail tariffs?

Mr. HYMAN. Well, this gets specifically to the point of retroactivity. If it would be faster—if the filing of tariffs would be a procedure that would allow for ratesetting more quickly, it would be very attractive to us and it would be especially advantageous that there be no retroactivity. It would eliminate some of the complications and the planning problems that are introduced by the current retroactivity arrangement that Mr. Merrigan alluded to.

So this—filing of tariffs—looks very attractive to us.

Mr. WILSON. The procedure used in setting MAC cargo and passenger rates.

Mr. HYMAN. Well, this one looks like that we might need some changes in legislation because the Federal Aviation Act gives the task to the USPS.

Right now there's no status for MAC to get involved in this particular arena, so we have a question as to who would represent the Defense Department before the Board involved here.

We certainly have a lot of experience in the MAC spending of over \$100 million in buying cargo and passenger services for the military, but how that would be applied to the Postal Service is another question.

So of the three alternatives, I think filing of tariffs looks attractive, but Mr. Merrigan might have some more he wants to contribute on that point if you'd want to discuss it further.

Mr. WILSON. Do you have some other ideas, Mr. Merrigan?

Mr. MERRIGAN. Mr. Chairman, only in regard to the MAC procedure. That is basically all in tariffs and what the CAB has done is rather than require an airline to file a tariff for every aspect of the MAC contracting, they've just set minimum rates and then they have set procedures for setting rates which makes it much simpler and easier. I think that would be beneficial in the event that we did go into the tariff system. And I think the CAB could develop that further the way they have done MAC rates. And then they could just set certain rules about tariffs that would make it much easier and quicker to make changes in the rates and the rules governing carriage of the mail.

Mr. WILSON. In the present mail rate case, why did DOD favor retaining the present three categories of mail rather than reducing the number to one or two?

Mr. HYMAN. Mr. Chairman, we proposed keeping the three-tier system because we were afraid the mixing of SAM and MOM would result in an escalation effect in total cost to DOD. The SAM proportion would be costing us more, even if we saw a reduction in the MOM rate.

So economics purely motivated us here. We regard this as an ill-advised mixture and I think there'd be some changes needed to the legislation for this mixture to take place, in any event.

But we think the separation into three tiers makes sense for the military patrons.

Mr. WILSON. Is containerization more difficult with multiple rate categories?

Mr. HYMAN. Mr. Chairman, when we're talking about containerization, we're referring to a new technology which starts off with new

hardware, new procedures, new responsibilities, and any changes involving a new way of doing business are painful to many people.

So that the answer to your question is yes, it would be difficult, but the benefits of getting a true intermodal movement, where we eliminate the extra handling through the use of containers should be translated into economical benefits, streamlining, and we think it's more the difficulty to get involved in containerization rates and I think it's just a matter of time before the technology has its impact on the rates.

Mr. WILSON. Since the combined volume of military mail in and out of Seattle and San Francisco is less than New York, why is there a need for two installations on the west coast to handle military mail to the Orient?

Mr. HYMAN. One inherent advantage in having both Seattle and San Francisco is the mobilization capacity that we have—the expansion capability if we have a need to increase volume. Of course, the advantage at Seattle, geographically, is the reduction of 400 miles through the great circle route.

The USPS has the ultimate consideration in the gateway question. We would hope that maybe the existence of Seattle could be used to provide a basis for a corate, a reduced rate for mail from both gateways which would definitely have an economic advantage to the SAM patrons and Uncle Sam, who foots the bill for the SAM.

Mr. WILSON. What is the advantage to San Francisco?

Mr. HYMAN. The advantage to San Francisco?

Mr. WILSON. For using San Francisco. You say the advantage of having the gateway at Seattle was the 400-mile saving.

Mr. HYMAN. Well, the duplicate gateways gives us the mobilization capacity, the fact we've got two places to expand—each one backs up the other. We have a backup capability that way, and the backup capability, not only for mobilization, but if there was any disaster or other problem.

Mr. WILSON. What's your backup capability for New York?

Mr. HYMAN. That's a good question. We don't have a backup capability for New York.

Mr. WILSON. Does the military use private delivery services such as United Parcel Service within the United States, and, if so, why?

Mr. HYMAN. The military is a big user of private delivery services, if you're referring to enterprises like United Parcel Service and Federal Express. It's basically a traffic management determination that's made at the installation transportation office level.

Our basic policy is to seek out the lowest delivered cost in getting items in our supply system to our customers and we find that very often, on given routes to given destinations, that UPS or Federal Express or similar private delivery systems give us the lowest cost and the service that we require.

Mr. WILSON. Do you find that you get better service for the cost from United Parcel Service or some other private carrier than you do from the Postal Service?

Mr. HYMAN. In many instances we do. The Air Force is a big user of private delivery services and I'd be glad to give them an opportunity to give you a firsthand account of the differential in service that they perceive.

Mr. WILSON. Would you care to comment on it?

Mr. TERRACK. Yes, Mr. Chairman.

In the Air Force the use of United Parcel Service is mandatory wherever they serve. As we have found since we started testing the use of UPS in 1974.

Mr. WILSON. You say it's mandatory?

Mr. TERRACK. Yes, sir. We started testing in 1974 at three different installations to see the value of using United Parcel Service in lieu of the U.S. Postal Service.

Our test results were quite favorable, so we expanded the service wherever the United Parcel Service serves.

The reasons we did this is we do get better service. Of course, we do have lower rates across the board. We get free insurance. We get multiple-delivery points to all of the locations on the base, not just one place. We have a means of tracing parcels because we get a signature when United Parcel Service picks it up; we get a signature when it is delivered. And we have had a real low loss rate and damage rate with both Federal Express and United Parcel Service.

Mr. WILSON. Well, that's very interesting. There are many Members of Congress who feel that governmental agencies should use the service of other government agencies.

Mr. TERRACK. I feel we have budgetary constraints within the service we try to work under, sir. Also, faster delivery means less stockpiling, less warehousing of our highly critical parts in the Air Force, so I think it's a worthwhile venture.

Mr. WILSON. I'm very interested in your response.

What experience have you had with United Parcel Service with respect to damage or lost shipments?

In other words do you find less losses with the United Parcel Service than with the Postal Service?

Mr. HYMAN. That's true, Mr. Chairman, we do. In fact, the performance statistics seem to confirm that. We get a much smaller amount of claims for loss and damage. For example, in the 3-month period—December 1975 to February 1976—over 203,000 parcels were moved by UPS for DOD and of that total, 7 were lost and 4 were damaged, under \$1,000.

We get nothing like that in the experience with the USPS. So that what Mr. Terrack described as improved procedures pays off in terms of reduced losses and claims. And our experience just reinforces our decisions to use UPS.

Mr. WILSON. Is the protection afforded military classified mail by the USPS, in or outside the United States, satisfactory?

Mr. HYMAN. No, it's not satisfactory, Mr. Chairman. We review this area with much concern. The use of registered mail for moving classified material has been our practice and last year the Postal Service issued new simplified procedures over the objection of the Department of Defense. These simplified procedures don't allow for the same signature controls we had before. They don't allow for the use of special security containers and it is a question that we are seriously considering. The Army especially is concerned and I'd be glad to ask Colonel Wyatt to give you a couple more words on this critical problem of the handling of military classified mail by USPS.

Mr. WILSON. Colonel, would you care to comment?

Colonel WYATT. Sir, quite simply, the problem is that you have lost that trail of receipts that you previously had on this, which is extremely critical, and as it goes overseas the receiving airmail terminals, for example, have really no—under the simplified system, really have no idea what they have coming to them. They end up with a pouch, in effect, or a container, and that's it, and there is simply—the accountability drops there.

Now once you get—it gets back into the system, once it arrives there, it is afforded the normal security-type procedure, but it's this so-called simplified form where we—in the middle, we've lost accountability.

Mr. WILSON. Well, here again, it's an entirely different story than we heard yesterday. Of course, I wouldn't expect them to tell us that they were doing a poor job. But I appreciate your comments. It allows us to have a full picture of the situation.

As you may know, I serve on both the Armed Services Committee and the Post Office Committee so I have a dual interest in what is happening with the military mail.

I'm only going to ask one other question. Because of the time limit we have I'll submit other questions to you to answer for the record if I may, Mr. Hyman.

Mr. HYMAN. Certainly.

Mr. WILSON. When space is at a premium on commercial airline service, why do you divert the mail to MAC at additional air and ground cost without attempting to pay the commercial airlines a higher rate, but less than the cost of the MAC diversion?

Mr. HYMAN. The economics of the situation isn't always as you reflected in your question. Very often the upgrading is not more expensive.

We have in the case of MAC, interservice fund transfers to consider, so that the real cost to the Government is somewhat different than the billed cost. When you look at an actual MAC cost of 18 cents and a MOM cost of 29 cents, the use of MAC doesn't look as bad as you might think. We're not talking about new obligational authority in this case. So there is a difference in the economic analysis. In fact, a real saving in terms of real dollars expended may result from such diversions.

Basically we have to consider that our objective here is to move the mail and when the commercial carriers can't move the mail, we often, especially during Christmastime and other seasons, are willing to pay the premium for keeping up the morale and keeping the mail call going at full speed. So that although it doesn't always involve premium costs, we're willing to pay a premium cost to keep the mail moving. But I think your question has to be carefully examined.

Mr. WILSON. Well, if you care to enlarge on that answer as you respond to these other questions we're going to submit to you, please feel free to do so.

Mr. HYMAN. I appreciate that.

Mr. WILSON. I might just say that our concern is to provide the best mail service possible to the military as well as our civilians overseas who are also dependent upon this mail service.

This problem came to the attention of Mr. Gould and me when we were in Korea earlier this year, during the Easter recess. We visited the mail facility at the 8th Army in Seoul and it was at that time that the extreme delay for packages to be delivered under the space-available came to our attention. In some cases it involved several weeks rather than the 48 hours which Mr. Benson of the Postal Service said he thought was a reasonable time to expect for space-available.

I might say, Colonel, that we were impressed with the postal facility there and with the dedication of the people. It was there that we also learned of the difficulty the military overseas is having getting proper equipment. And in their case they would be happy to get old equipment, if they just could get it.

Colonel WYATT. Sir, I might add that those lockboxes that they wanted there in Seoul, they've now got. We transshipped out of Thailand when we closed out there, and they do have those boxes there now.

Mr. WILSON. Well, it seems that we do accomplish something when we take a trip.

Colonel WYATT. Yes, sir.

The stamp vending machines that they were concerned with are now being maintenance tested by the USPS out in San Francisco and they will be shipped shortly.

Mr. WILSON. Well, that's good to know.

Well, thank you very much, gentlemen. We appreciate your assistance. You've been of great help to us this morning.

Mr. HYMAN. You're welcome.

[The following additional questions and answers were ordered placed in the record at this point:]

Question. I understand that in order to gain cost savings, the Department of Defense is seeking to centralize its postal functions into one unit. How much progress is being made in achieving this?

Answer. As stated in my earlier testimony, we recognize that our present organization for postal operations is inconsistent with the progress we have made in providing common services through a single manager for similar functions. Studies on postal organization and management have been conducted by DoD in past years. These studies have been in-house and had limited objectives. Recent organizational changes have placed us in a position where a complete review of our postal operations will now be beneficial. In recognition of this fact, we are currently arranging for this review with the assistance of the Logistic Management Institute (LMI).

Question. In 1965 Congress passed the 1st SAM law establishing the principle that SAM mail rates would not exceed the MAC cargo rates for moving MAC cargo on scheduled airline service. In 1966 the wording was changed to "on a space-available basis." The original law intended to provide air carriers with a rate level that would provide an incentive to move SAM mail equal with military cargo but not displacing it. Nothing in the 1966 law changed the intent of Congress. Can you tell me if any differential has developed between the rates over the past ten years? And, if so, why?

Answer. There is a present difference between the SAM rate and the MAC cargo rate. The present SAM rate is 16.5 cents per ton mile while the MAC cargo rate is 12.24 cents per ton mile round trip and 18.43 cents per ton mile one way. The SAM law provides that this class of mail shall be transported on a space-available basis at rates fixed by the Civil Aeronautics Board. The MAC one-way cargo rate of 18.43 cents is the rate paid for military cargo when it moves as Category A cargo on scheduled flights as opposed to the SAM rate of 16.5 cents. The difference arises since the rates are set in different CAB proceedings. There is no specific requirement in the law that the rates be

identical. Generally, the rates have been close and it is possible that at the conclusion of the current mail rates investigation the SAM rate will be raised to the current MAC one-way cargo rate.

Question. Please explain from your point of view present letter test experiment in New York and Europe and how much could it improve the service feature? Will it cost DoD more money?

Answer. We are anticipating a service improvement approximating one day earlier delivery of letter mail. If the test, which we are jointly conducting with USPS, provides such improvement without significantly increased cost in manpower resources to DoD, we would consider expanded use of such procedures on a selective basis.

Question. Yesterday the CAB explained that containerization was not needed as a factor in setting the present mail rate case. Can you tell me, how extensively do your overseas personnel use containerization and is the same procedure in effect at Seattle, San Francisco and New York?

Answer. The administrative law judge ruled in the current mail rate case that there was not sufficient containerization now being done to support a separate rate. However, he said a container rate could be set in the future. We agree with this appraisal. Our limited use of containers overseas generally involves loading of outbound mail into containers by the carrier, military personnel unload inbound containers. Container use at Seattle, New York and San Francisco is the responsibility of USPS.

Question. Should a Postal Concentration Center be opened in Miami to handle APO/FPO mail for Latin America? Would it save DoD money and give you more available air service?

Answer. In our opinion the designation of Miami, Florida, as a gateway city for military mail would be beneficial to both DoD and USPS. Establishment of a Postal Concentration Center (PCC) at that location would save DoD an estimated \$300,000 per year in transportation costs to APOs located in South America by reducing the present line haul mileage from New York. Significantly more air service is available from Miami versus New York. USPS savings would accrue domestically by a similar mileage reduction as we understand surveys have established that more than half of the military mail volume destined for South America originates in the Southeastern section of the United States.

Question. Is there any need for an additional Postal Concentration Center on the East Coast for handling European mail?

Answer. Other than the Miami consideration discussed above, there is no need for an additional Postal Concentration Center on the East Coast. Existing facilities in New York provide room for mobilization expansion and scheduled air transportation to Europe is more than adequate except during surge periods such as the Christmas mailing season.

Question. Since DoD pays for the movement of all military mail to overseas points, does the Postal Service give DoD any credit for fines levied against air carriers for mishandling military mail?

Answer. No, USPS does not credit or reimburse DoD for fines involving military mail that are levied against air carriers. Additionally, USPS does not identify which fines and carriers involve the carriage of military mail. Such identification would be a useful management tool for defense postal personnel.

Question. I understand from yesterday's testimony that Okinawa had been selected for the unaccompanied baggage experiment. Why did you select a place in the Orient where inbound SAM space is at a premium?

Answer. Depending upon economic circumstances at given times practically all locations in the Orient, including Korea, the location suggested by the Congress, pose potential space-available problems. Okinawa was selected as the most acceptable area in which to conduct the unaccompanied baggage test for a number of reasons including the following:

(1) It has the most representative military population. All Services have units there with a suitable mix of accompanied and unaccompanied members:

(2) Contractor service for packing and unpacking the baggage, a legal entitlement of our members, is available.

Mr. WILSON. Our next witness is Mr. Ernst F. Wood, who is director of postal service for Pan American World Airways, Inc.

Mr. Wood, if you have other people you would like to bring up with you, why, you may do so.

STATEMENT OF ERNST F. WOOD, DIRECTOR, POSTAL SERVICE, PAN
AMERICAN WORLD AIRWAYS, INC.

Mr. Wood. Thank you, Mr. Chairman.

Mr. Chairman, my name is Ernst Wood. I'm Pan Am's director of postal service. My responsibilities include liaison with USPS and the military services concerning Pan Am's transportation of U.S. military mail.

First I would like to thank the subcommittee for the opportunity to appear before you to discuss matters relating to the air transportation of military mail in which Pan Am participates significantly.

In June 1976, the most recent month for which statistics are available, Pan Am carried about 40 percent of such mail moved by U.S. commercial carriers.

This involvement is global. In the Atlantic area we participate in the movement of mails to and from U.S. troops at points ranging from Germany and England to the Mediterranean area and the Mideast.

In this hemisphere we carry mail to and from military missions in Central and South America.

In the Pacific we annually serve the scientists and U.S. Navy teams in Operation Deep Freeze during the Antarctic summer. This Antarctic mail moves via New Zealand.

We handle military mail to and from Australia, Singapore, Manila, Jakarta, Bangkok, Hong Kong, Tokyo, Guam, and Honolulu.

Recently we were forced to suspend service to Taipei and Okinawa where we also provided airlift for U.S. military mail.

Pan Am carries military mail between points in the Pacific and Europe via the Mideast in both directions.

It is natural that the carriage of military mail to such far-flung points is entrusted primarily to the scheduled U.S. carriers who provide regularity and frequency of service which could not be matched in other ways. The service provided by the carriers is excellent.

Military airmail, carrying the same priority as civil airmail, moves expeditiously to its destinations. More and more points in Europe and Asia are linked to the United States by nonstop flights, so that transit time is a matter of hours.

Military ordinary mail or MOM has a priority co-equal to commercial freight and, under normal circumstances, moves right along with airmail.

Thus the official military mail, which includes all military letter mail needs and deserves a high quality of service, does receive such service from the scheduled U.S. carriers. Unfortunately, service personnel who, for morale purposes, equally deserve expeditious carriage of their parcels, do not always receive it.

SAM, or space-available mail, was established by Congress as a benefit for service personnel primarily to assist in maintaining the high level of morale necessary to assure the effectiveness of our military forces.

Unfortunately, the rate fixed by the Civil Aeronautics Board for the carriage of SAM mail is based on the utilization of otherwise empty aircraft capacity using marginal costing techniques. The established rates fall far short of covering their share of capacity costs, and as a result there is just no way for the scheduled U.S. carriers to

economically provide the capacity needed to accommodate the SAM during peak demand periods or on routes where capacity is chronically tight.

SAM also has the lowest density of all military mail, and sometimes the lowest of any traffic moving, which means that its cubic space requirements on the aircraft are higher in relation to weight than those of other commodities carried.

Such problems are aggravated by a degree of seasonality which makes SAM volume peak at about the same time when commercial freight builds up in the pre-Christmas period.

In many areas there is also a directional imbalance of SAM. One element of this directionality is that weight limitation for SAM parcels is 15 pounds from the continental United States to points overseas, while in the other direction a SAM parcel can weigh up to 70 pounds.

In spite of all these problems, the carriers manage on almost all routes to provide far better service to SAM than it would receive via surface. There are some points to which Pan Am has found it difficult to provide SAM lift: Liberia, Zaire, Indonesia, the Seychelle Islands, Iran, Panama, Costa Rica, El Salvador, and Nicaragua.

Higher priority cargo traffic to Africa and the Seychelles—via Africa—as well as to Central America is very heavy outbound, blocking the carriage of SAM.

The problem cannot be solved by operating additional flights because the almost total lack of inbound traffic would make such flights economically disastrous.

In Jakarta and Tehran Pan Am frequency of operation is limited by the host governments and demand of higher priority traffic is preempting all space to Jakarta and some SAM space to Tehran.

Pan Am believes that our military personnel overseas deserve to have the weight limit on SAM parcels from the continental United States increased to 70 pounds to match the inbound limitation; and that, in the interest of the maintenance of morale, they should receive expeditious handling of this mail as a matter of course and not receive it only when excess space is available. We would hope that the committee would be able to find ways to accomplish this end without imposing financial burdens on the carriers.

Containerization of military mail was initiated by Pan Am in cooperation with the U.S. Postal Service during the Vietnam war. It was essential then to channel the vast volume of mail through large off-airport facilities from where the containers could be dispatched straight to the aircraft without additional handling delays at the airport.

Containerization is highly desirable in terms of manpower savings for postal units and carriers, in terms of added security and weather protection as well as in the possible need for en route transfer of the load from one aircraft to another. Sealed containers facilitate the checking of postal dispatches at destination for completeness.

The advantages of containerization can only be enjoyed through the closest cooperation between the Postal Establishment and the carriers. The right size containers must be tailored to the specific mail movement. A half empty container wastes energy and vital space

aboard the aircraft resulting in serious loss to the carrier or to the Postal Service, if a pivot weight is involved. Available carrier-owned containers range in size from a belly container, called an AVF or LDI, with an internal volume of 164 cubic feet to an 8-by-8-by-20-foot container for traffic between major terminals.

Containers only make sense for the movement of mail if they can be handled in the intended manner at the loading and unloading terminals. Any unconventional field expedient type of loading/unloading and handling procedures are wasteful in terms of manpower, time, and equipment, and should be regularized promptly to enjoy container benefits to their fullest extent.

While speaking of terminal handling of mail, it is necessary to mention that there have been reductions of military postal staff at many of the APO's and AMT's we serve on our routes. These reductions have presented problems that hamper the efficient handling of military mail.

Throughout our system we accept and deliver military mail within minimum time frames to provide fast mail service. Now, with military reductions of postal staff and the closing or curtailment of some military mail facilities at airports, we are storing inbound and outbound military mail at some locations up to 12 hours. Total transit times are thus lengthened.

In former times when carriers received the mails just prior to the departure of flights and could deliver mail upon flight arrival, it was possible to measure carrier performance in terms of transit time; with such delays built in at origin and destination, that is no longer a valid yardstick.

Furthermore, at many of those locations carrier storage facilities are nonexistent, due to customs laws, and security and weather protection may be compromised. For this reason, such changes must be closely coordinated with the carriers before they are implemented.

In line with these military personnel reductions, the U.S.-flag carriers at some locations have accepted transfer obligations to foreign carriers which were formerly the responsibility of the U.S. military, and again storage and protection of such mail in transit is required for varying lengths of time.

As you probably know, a case to determine the appropriate level for final U.S. international mail rates is currently pending before the CAB. In addition, carriers have repeatedly petitioned the Board for temporary interim increases in existing rates to compensate for escalating costs. The present rates are based on costs more than 2 years old.

These necessary rate increases have been pending for almost 1½ years and the carriers badly need the higher rates to which they are entitled, including the necessary retroactive adjustments.

We do support the basic principal of the determination of rates for the carriage of mail by the Civil Aeronautics Board. This principle was established only after a period of predatory and uneconomic pricing with resultant degradation of service that neither the carriers nor the public deserve.

We would, however, like to see more expeditious action on the mail rate cases and full compliance, within the rate-setting procedures, with

the mail rate principles established in the Fair Competitive Practices Act of 1975.

You will recall that this act requires the CAB to consider all of the Universal Postal Union ratemaking elements in establishing rates for the carriage of international mail. It also directed the CAB to act expeditiously, a directive which it has ignored.

To summarize, the military mail system as it stands today provides excellent service. Basic delivery times, even of SAM, are akin to those of domestic mail carried by air. It would be desirable to establish uniform weight limits for SAM parcels worldwide at the 70-pound level, thus providing equitable service to all mailers. Some means should be established to permit the carriers to provide, on an economical basis, the capacity needed to give SAM mail the priority it deserves.

In the field of containerization, we urge closest cooperation between carriers, USPS, and the military to determine all routes suited to such service and the volumes to be involved.

In this way, schedule planning, container planning, and facility planning can be carried out in their proper order and optimum service can be assured. Contemplated military staff reductions, facility and procedure changes affecting the timing and procedures for mail receipt and delivery between the military postal system and the carriers need careful coordination to assure that protection of the mail is not compromised.

As to ratemaking procedures, it would be highly desirable to devise a somewhat faster method of rate adjustment in an era in which individual carrier operating cost elements, such as fuel cost, can skyrocket overnight.

That is the end of my formal statement, Mr. Chairman.

Mr. WILSON. Thank you very much, Mr. Wood.

Isn't SAM a profitable category for the airlines since it fills up unused space?

Mr. WOOD. SAM is indeed a profitable element for the airlines. The airlines simply regret that they don't always have space to accommodate SAM on some of the routes.

Mr. WILSON. Do you have any suggestions for the change of the present SAM laws other than the one you recommend?

Mr. WOOD. No, Mr. Chairman. I believe that we are perfectly happy with the SAM law and feel that it clearly states what is covered.

Mr. WILSON. You state on page 3 of your testimony that SAM cannot be accommodated at some points on a seasonal basis; at the other points year round because of higher priority cargo.

What if the SAM rate during the seasonal peak periods and on those high density routes were increased to equal the MOM rate? Would you then find space?

Mr. WOOD. MOM rates carry a priority coequal with cargo and, therefore, yes, the carriers would be able to move the SAM if it were upgraded to MOM. This would have the additional advantage of not taking it out of the flow sequence.

Mr. WILSON. Do you think that by increasing the size of outbound SAM parcels to 70 pounds and 100 inches in length and girth would enable you to carry more inbound SAM?

Mr. WOOD. In air carriage it is always desirable to have as even a flow in both directions as possible. One area where it would be of advantage particularly is in the field of containerization. Obviously it's highly desirable to have a container move in both directions and if it can be filled with the same commodity then it is frequently possible to unload that commodity at the terminal of destination and reload it right at that terminal for the return trip.

Mr. WILSON. In connection with the containerization, you made reference to it in your statement also. Would this provide a lower rate for the military mail if we utilized it completely?

Of course, you also indicated that containerization was only good if you had full containers and proper size containers for the amount of mail delivered.

Mr. WOOD. We don't think of containerization as necessarily providing a lower rate. The terms and conditions of handling and service would have to determine that.

Containerization does provide many benefits. In the case of the Vietnam war we couldn't have handled—we, the carriers, could not have handled the volume of mail without containerization. And similarly we feel that it's high time that the users and the carriers get together to determine where containers are suitable for the carriage of military mail under these present circumstances and get them moving.

Mr. WILSON. Is there enough U.S. civil international airmail to containerize?

Mr. WOOD. An experiment has been done for containerized mail, civil containerized mail between New York and Germany, and I believe that the two postal administrations are currently discussing formalization of that on a long-term basis.

Mr. WILSON. Do you favor setting rates by filing mail tariffs or by other methods?

Mr. WOOD. Pan American supports the present method of the CAB setting rates, but, of course, would find it highly desirable to have the process be a little faster.

Mr. WILSON. You indicated in your statement that one of the problems was that CAB was in effect violating the law by not having expeditious conclusion of rate cases.

Mr. WOOD. Yes, sir.

Mr. WILSON. The big problem is the time it takes to resolve these rate cases?

Mr. WOOD. Yes.

Mr. WILSON. Is there a particular reason for that? Why does it take so long? Is it anyone's fault?

Mr. WOOD. Mr. Chairman, while I'm Pan Am's mailman, I'm not that familiar with the mail ratesetting machinery.

Mr. WILSON. We've found the same problem in the Postal Rate Commission and maybe this problem is universal with regulatory commissions.

Do you have any ideas?

Mr. WOOD. I frankly do not have the answer to that question, Mr. Chairman.

Mr. WILSON. In connection with your statement on pages 5 and 6, could you give me a list of the places and the problems occurring as a result of reduction of military personnel?

Mr. WOOD. Well, as the gentleman from DOD pointed out, they are reviewing cost effectiveness worldwide. In the course of that, they are reducing or eliminating airport involvement at several places.

One example of that is Rome, where the number of people involved has been reduced and it's now almost entirely the question of the U.S.-flag carriers dealing directly with the foreign-flag carriers who carry the mail to its ultimate destination within Italy or the Mediterranean area.

Mr. WILSON. Do you feel that Pan Am is disadvantaged in the method which is being used to set U.S. mail rates as compared to the method used for your foreign counterparts?

Mr. WOOD. I believe that is one of the issues that was raised in the currently pending rail rate case.

Mr. WILSON. You do feel that the foreign airlines have an advantage over you insofar as rates are concerned?

Mr. WOOD. I believe that that problem exists primarily in connection with civil mail, yes.

Mr. WILSON. Does that flow over to military mail?

Mr. WOOD. Well, again, Mr. Chairman, that goes into ratesetting philosophy. A question was raised yesterday as to whether the civil mail rate were affected by the volume of military mail, and the answer then was probably yes.

I'm not familiar enough with this, but I do believe yes, that there is a cost effect here.

Mr. WILSON. Do you have any idea—again I believe you commented about it in your statement—how and what volume of foreign military mail is carried by foreign national airlines?

Mr. WOOD. No, I have no idea, Mr. Chairman.

Mr. WILSON. Thank you very much, Mr. Wood. I appreciate your being with us.

We will hear now from the representatives of Flying Tiger Line, Inc., Mr. William Gelfand and Mr. John Godwin.

Mr. Gelfand.

**STATEMENT OF WILLIAM GELFAND, SENIOR VICE PRESIDENT,
THE FLYING TIGER LINE, INC.; ACCOMPANIED BY JOHN GODWIN,
DIRECTOR OF POSTAL AFFAIRS, THE FLYING TIGER LINE, INC.**

Mr. GELFAND. Mr. Chairman, my name is William Gelfand. I'm senior vice president of the Flying Tiger Line. I'm accompanied by my assistant, John Godwin, director of postal affairs for our company. Prior to his joining us 6 years ago to manage our mail programs, Godwin was commander of the Army Postal Command. We are grateful to you for the invitation to appear and testify on the subject of military mail.

The Flying Tiger Line is a certificated all-cargo airline that has been specializing in the transportation of property and mail for more than 30 years. In 1969 our Government awarded the Flying Tiger Line

an extension of its scheduled route to serve the major industrial areas on the east coast of Asia. The Flying Tiger Line celebrated the inauguration of its transpacific service in August 1969 by carrying a full planeload of military mail to our servicemen stationed in Asia.

We have just completed 7 years of transporting military mail between the two major points on the west coast—San Francisco and Seattle—on the one hand, and those points in Asia where U.S. military personnel are stationed—Korea, Japan, Okinawa, Philippines, Vietnam—until May 1975.

During those 7 years the Flying Tiger Line transported more than 250 million pounds of military mail. Yes, we air shipped more than 250 million pounds of military mail and we consider ourselves experts on this subject.

The chairman of this committee has recently voiced a concern over the adequacy of mail service that is being provided our military forces around the world.

Mr. Chairman, we are here to dispel those doubts. We are convinced that the airlines are providing an exemplary fine service in transportation of military mail. We are also convinced that a study of the military mail program requires an understanding of the different categories of military mail. We would like to remind you of how these different categories were established and the standards that they each represent.

No. 1, airmail, the highest priority of any type of traffic that is carried by the cargo airlines. The regularity of our schedules and the frequencies of our flights to all of our traffic areas insures the highest level of service for this category of mail.

Military ordinary mail, MOM: In 1960, the airlines, the Defense Department, the Postal Service, and the Civil Aeronautics Board coordinated a new mail service whereby military official mail that was not classified as airmail would be flown by the regulated airlines at rates that were 50-percent lower than the rates established for transportation of airmail.

The service standards that were agreed to by all of the interested parties at that time set the priority for this class of mail equal to the priority of normal airfreight. This class of mail has consistently been consolidated with airmail and has been given the exact type of excellent service that the industry has provided to the category of airmail.

There can be no questions of the success of this program. Large volumes of high priority military mail have experienced excellent service at half the cost of airmail transportation.

The third class, space-available mail, SAM: In November 1965 the U.S. Congress enacted legislation that provided for the transportation by air—on a space-available basis—of parcels mailed by or addressed to members of the U.S. Armed Forces stationed in overseas areas.

While the law has been amended several times, in 1966, 1967, and in 1972, changing the size and weight of shipments eligible for this category of mail, the basic service requirements have not been altered.

This category of mail was inaugurated for the purpose of creating a huge boost in the morale of military service personnel stationed in foreign lands whereby they could send and receive both mail and parcels at the minimum of cost, with the speed of air transportation.

The inauguration of the new SAM mail program in 1965 brought with it a new policy on pricing traffic below the cost of producing same, combined with a new product for air transportation. This new product was classified as fill-up traffic. Only if there were room on a flight after taking care of all available traffic would the airline be legally permitted to load SAM mail.

The rate structure, established by the Civil Aeronautics Board for this new category SAM mail, was less than half the rate which was in effect for military ordinary mail, MOM, and less than one-fourth of the established rate at that time for true airmail.

The airline industry understood the relatively low level of rates for this new SAM mail program, but it was well aware of the rules that related to the required and expected service for that category of mail, and it realized that the shift of this traffic from surface to air necessitated severe concessions on its part.

The Flying Tiger Line applauds the Congress for its concern over the morale of the service personnel who are stationed in the far reaches of the world by its enactment of legislation that has expedited the movement of mail and packages to and from these military people. The Flying Tiger Line has contributed to the success of this mail program and commits itself to continue its attention and service standards.

Mr. Chairman, while we are aware of the complaints you have heard, we know our programs, and we are here to tell you that the service that has been provided to SAM mail—space available—has been over the past 5 years at no less a standard of excellence in our area than that given the highest priority of airmail at least 95 percent of the time.

We suggest that both the military and postal authorities be reminded of the true definition of SAM mail and the service flexibility of that program. Because of the extraordinary service that has been provided by the airlines to the SAM mail program, both the postal and military officials have been spoiled.

The airlines must be allowed to delay for short periods the servicing of SAM mail during those infrequent times that commercial traffic and higher priority mail fill their scheduled flights.

We have heard certain parties suggest that this committee recommend containerization for military mail. We already do it. The large majority of mail moving across the Pacific moves in containers.

We also heard suggestions that a single rate and a single classification be adopted for all military mail. We strongly oppose such changes. We see no reason to increase dramatically the rate for space-available mail. Increasing the rate of SAM mail would certainly create a greater pressure than there presently exists to again move this nonpriority product by the much slower mode: Surface vessels.

We believe you created a fine workable program, and we again recommend that you do not experiment with changes that would deteriorate the standards that exist.

We will try to answer any questions you may have, Mr. Chairman.

Mr. WILSON. Thank you, Mr. Gelfand.

Don't you consider SAM a profitable category for the airlines since it does fill up unused space?

Mr. GELFAND. Mr. Chairman, it does when it's put together with all the other types; not in itself. The time that it's not economical is

where the carrier is asked to add equipment or frequencies specifically and exclusively for the movement of SAM mail. It does not cover the cost of the transportation involved.

Mr. WILSON. I have a problem with your statement. I feel that allowances should be made during those seasonal periods when you don't have space available. Yet, this is the time when the SAM mail becomes a top priority item for the serviceman.

I'm talking principally around the Christmas season. It seems to me that that's when every effort possible should be made to make space available.

Mr. GELFAND. Mr. Chairman, we've added flights consistently during these seasons, even though it was SAM mail alone. The priority we're talking about in the space-available more or less is directed to a specific flight and the demands by the Postal Service that this category of mail be given the exact same attention as that of higher priority.

The flexibility we're asking for is to allow that mail to sit around for 24 or 48 or even 72 hours and then be put on a flight to come across the ocean, where it would still be given better service than the domestic mail we're getting today from coast to coast, even though it's one-third the distance.

The mail—the average time that the airline today, our airline, moves SAM mail across the Pacific Ocean, 10,000 miles, is somewhere between a 2- and a 3-day period.

Your airmail, highest priority, from New York or from Washington to Los Angeles doesn't get 3-day service.

So the flexibility is not one where we're saying let it sit for 2 or 4 weeks. We're asking for a few days and to allow, with the number of flights we have, to get it into a sequence of flights later on which may take a 4- to 5-day period instead of a 1-day period to get that mail to its destination.

Mr. WILSON. Then, you're disagreeing with what we have been told.

Do you say that the delay is no more than 4 to 5 days at the most?

Mr. GELFAND. That's what we have asked for, Mr. Chairman. And I believe that we have never sat on mail more than that time.

Mr. WILSON. You're sure of that?

Mr. GELFAND. I'm reasonably confident of the information that's been given to me.

Mr. WILSON. Well, I'm going to be in Korea again next week. I'm going to check you out.

Mr. GELFAND. Mr. Chairman, we'll be very pleased to hear your comments.

Mr. WILSON. OK, fine.

What is your annual revenue from SAM for the last 3 years?

Mr. GELFAND. Oh, SAM, it would run in the area of \$10 million per year for SAM mail alone. Our total military mail program has been averaging in the area of \$20 million a year. SAM would be a little more than 50 percent of that total.

Mr. WILSON. Has that been the average over the last 3 years?

Mr. GELFAND. Since the close-down of Vietnam in April of 1975, the level has been fairly stable. Up until that time, of course, it was much higher.

Mr. WILSON. Isn't it true, though, Mr. Gelfand, that your out-of-pocket expense to move SAM is quite low inasmuch as you use equipment and personnel which is on hand? You don't really put extra equipment and personnel on to handle SAM, do you?

Mr. GELFAND. Agreed, agreed, Mr. Chairman, when the SAM mail flows on the scheduled flights that we operate.

Mr. WILSON. Didn't Congress intend in the original SAM law that the rates should be at a level so that its movement would not interfere with the movement of critically-needed military material?

Mr. GELFAND. I do not remember the exact words, but the rate that was set by the CAB at the very beginning of the SAM program was exactly the same rate that was set for category A cargo, which was carried by the carriers for the various Departments of Defense.

Mr. WILSON. Do you think we need any changes in the SAM laws? Do you have any suggestions for changes?

Mr. GELFAND. We would strongly support the discussions of having the size and weight of the parcels going out of the country to be no different than those coming into the country. There's no reason why we should be limited to the 15-pound element.

We have strongly supported the implementation of movement of baggage by the mail program even though it's in the SAM element. The reason for that, we feel it would produce more frequency of flights and be able to service that which is called the SAM category today.

Mr. WILSON. That was almost accomplished in H.R. 8603, the postal bill that we just passed. An amendment was introduced in the Senate that would have accomplished that. However, it was knocked out in conference.

Mr. GELFAND. I'm well aware of it, Mr. Chairman. We're hoping that you people will reconsider that as an element that would save the Government large sums of money and also provide a better service for—

Mr. WILSON. I haven't been able to determine who was responsible for knocking it out. I would think the Senate would want it in inasmuch as it was in their bill, so it must have been someone in the House.

Mr. GELFAND. I would hope it was only with the haste of the closing of the sessions that did that and not the true purpose of the bill. Mr. Chairman, if I could take a moment, although it is not in my prepared text, but hearing for the first time of the problem of the moving of mail from the United States to Alaska just brings the point that we have tried very, very hard to cure that problem. We have applied to the Civil Aeronautics Board more than 2 years ago to permit us to take traffic between the United States and Alaska where we operate something like 5 flights per day at a load factor of about 25 to 30 percent. Because all of our flights are going to the Pacific area, and we have a very heavy imbalance, very light outbound and heavy inbound, it would permit us to carry hundreds of thousands of pounds of SAM mail from the west coast points into Alaska, alleviate this problem and—

Mr. WILSON. What's the problem?

Mr. GELFAND. The CAB has sat on our petition for 2 years now.

Mr. WILSON. Oh, CAB.

Mr. GELFAND. Yes.

Mr. WILSON. You have a request and it's being considered by the CAB?

Mr. GELFAND. We now, as a result of listening this morning, we intend, as soon as I get back, to put in a petition of even a temporary authority, maybe for this specific purpose alone, to see if we can't provide the type of assistance necessary for both the Department of Defense and the Postal Service, even if it doesn't—

Mr. WILSON. The testimony that has been presented here shows that there's a tremendous problem with the military mail system in Alaska. There's a lack of airspace to Alaska and that certainly should justify you going to the CAB and asking for permission to carry cargo to Alaska.

Mr. GELFAND. We're not talking of adding flights there; we operate there; we stop there for fuel on all of our flights to get over to the Pacific area, and it's amazing the amount of space that we have to be able to provide that type of service, and we intend to follow through on a petition on that basis.

Mr. WILSON. Would you have any objection if I wrote a letter to the CAB and asked why they are sitting on your petition?

Mr. GELFAND. We certainly would look forward to your assistance.

Mr. WILSON. Well, I think if there's an unnecessary delay with any of these commissions, the Postal Rate Commission, CAB, or any of them, it's an inconvenience not only to you people, but to everyone involved. There should not be any unnecessary delays of any type at all.

Mr. GELFAND. We would hope that this would get attention, even though it's restricted specifically to this one product.

Mr. WILSON. Well, I will look into forwarding a letter to CAB.

Mr. GELFAND. We thank you.

Mr. WILSON. Would you explain your opposition to a single-category rate or two-category rate for military mail?

Mr. GELFAND. Yes, Mr. Chairman. If we were going to go into a single rate to economically provide the carriers what they have at least at this time, would bring the highest priority rate down and the lowest priority rate. The SAM mail which consists today of more than 50 percent of the volume of military mail moving, would have a heavy increase in its factor to come up with one average weighted consolidated common rate.

We believe people will forget the fact that the purpose of this one common rate was to bring the cost no different than it is today, because that would be a true common rate total cost for the same volume, same exact figure on a one figure. But that figure would be most likely 30 to 40 percent more for SAM mail itself than it is today.

I believe the pressure by certain people, knowing that it's a non-priority product, to get it moved at a much lower cost would be heavier than it is today, and I would hope that we don't have to go through that, even though the total moneys would be the same to us.

Mr. WILSON. You heard the DOD representatives discuss the problems of military mail from the Orient to the United States. Do you anticipate any relief in this matter?

Mr. GELFAND. My knowledge of the number of frequencies that we have planned for the last 3 months of the year—I can only speak of

Flying Tiger Line—indicates that we will be carrying large, large volumes of SAM mail back into the United States even over the heavy, heavy commercial season. If the other carriers provide a like-type service, I have to believe that we will be able to take care of the product.

I might add only one item, Mr. Chairman, and that is, we look forward, as we go into each of these seasons, for some reasonable estimate by the shippers, by the Department of Defense, by the Postal Service, to help us try to project our type of schedules and frequencies and capacity, and one of the problem areas that we have gone through in previous times is not getting reasonable, timely estimates of this type of traffic and then being told explicitly that it's the carrier's fault; it didn't have the airplanes necessary to move it. And many times the ability to program in advance certainly helps us in all our definite modes of transportation.

Mr. WILSON. Mr. Gelfand, you heard my dialog with Mr. Wood concerning the CAB ratemaking problems.

Do you have any suggestions for improving the present method of ratemaking by the CAB?

Mr. GELFAND. No, Mr. Chairman. I believe it's a rather simple one. I believe that if Congress were to enact one small piece of legislation that gave the CAB an ultimatum that it must come up with some decisions within a specific period of time, a reasonable period of time, even though it's 90 days or maybe 120 days after all of the material and all of the hearings are concluded, we would get results.

At this time, the administrative judges and the Board members themselves can sit on something for 2 years, 3 years, or 4 years because there is nothing that tells them they must make the decision.

The problem that we hear today from the Department of Defense of trying to fight this principle of retroactivity is great if we do have the type of legislation that would enforce decisions from the people that have to make them.

The case on the international foreign military mail and other mail has been finished more than 9 months ago in front of an administrative law judge that normally comes up with a recommendation within 90 days. This is 9 months and we don't even have that recommendation and the Board's excuse is, well, they can't act without the recommendation of the law judge.

Well, as long as there are no ultimatums and no deadlines for these people who do it—I don't know whether—who sets their priorities, but that's one of our problems.

Mr. WILSON. Are these delays in rate cases an advantage to anyone?

Mr. GELFAND. There are serious disadvantages to the airlines because they are operating under rates today that were involved with costs of 3 and 4 years ago, and with the escalations that we've gone through, we are certainly suffering in a cash flow. Although we believe once the decisions are made we will have the retroactive dollars, but that doesn't take care of the payrolls and the interest rates that are being paid today and the fuel costs that go on a monthly basis.

Mr. WILSON. This gets back to the fact that the beneficiaries are usually the lawyers.

Mr. GELFAND. I believe that they're a part of them.

Mr. WILSON. Do you favor giving the Postal Service exclusive contracting authority?

Mr. GELFAND. No, I do not favor it, Mr. Chairman.

Mr. WILSON. Are you planning to move cargo in cooperation with the DOD and the USPS to achieve the best possible service? I understand they plan to hold pre-Christmas meetings on how much mail can be accommodated on commercial airlines and how much will be sent by MAC.

Mr. GELFAND. Mr. Chairman, if there were good estimates given to the industry in advance. I would hope that MAC would not be used. We don't like to see mail moving on MAC nor do we like to see any kind of commercially adaptable traffic moved on military airplanes. We don't believe they were made for that. We don't believe they are in that business.

Mr. WILSON. Well, after being on the Armed Services Committee, I know their problems. There are peak periods such as a war and there are light periods when there isn't a war. The military has to try and keep people in the service and have jobs for them during both periods. The military has a pretty serious problem in handling their manpower, both military and civilian. Because of this manpower problem its hard to deny them the opportunity to utilize the equipment that they have.

Mr. GELFAND. Mr. Chairman, I don't think that it's much different than the discussion that was held earlier about using private companies for the movement of mail when you have a Government agency, even though you call it not government today, the Postal Service, that can do the same thing. And I do not see much of a difference in the Department of Defense using MAC for its personal transportation than in using the United Parcel Service for its transportation service and spending those dollars out of Government agencies.

I don't understand why on one side it make sense, but on the other side—unless people really look at the Postal Service as being completely a commercial independent organization.

Mr. WILSON. Thank you very much, Mr. Gelfand and Mr. Godwin. We appreciate your being with us. You've helped us very much.

Mr. GELFAND. We thank you very much for your invitation.

Mr. WILSON. Thank you.

The meeting will be adjourned until tomorrow morning at 10 a.m. We'll be back in room 311 and we'll hear from three of the other overseas airlines: TWA, Northwest Orient, and Braniff.

Thank you very much for your attendance and your courtesy.

[Whereupon, at 12:12 p.m., the hearing was adjourned, to reconvene at 10 a.m. Wednesday, September 22, 1976.]

[The hearing which was scheduled for September 22, 1976, was cancelled. Statements which were received by the subcommittee for the record follow:]

STATEMENT OF ROBERT J. SCHON

I am Robert J. Schon, Director of Mail and Express for Northwest Airlines, Inc. I appreciate this opportunity to address the Subcommittee on the subject of military mail. My remarks will be brief.

Northwest Airlines, Inc. is a Minneapolis-St. Paul based domestic and international air carrier. In addition to serving 38 cities in the United States including Hawaii and Alaska, Northwest provides scheduled service to the following cities in the Far East: Tokyo, Hong Kong, Okinawa, Taipei, Osaka, Manila, and Seoul. Northwest transports military mail to these points in the Far East from the West Coast cities of Los Angeles, San Francisco, Honolulu, Seattle, and Anchorage.

For many years, Northwest has carried all military mail which has been tendered to it originating at West Coast cities destined for the Far East. There have been virtually no problems regarding the availability of space for such mail. Northwest agrees with the basic principle of the present law regarding space available mail (SAM). When space is available for the transportation of low cost military mail, we will move it on any and all of our scheduled flights. The present law serves the needs of our servicemen at overseas points. We make every effort to move all SAM mail from the Far East to the continental United States. We use all available space on all flights departing Tokyo for the U.S. gateways of Honolulu, Los Angeles, San Francisco, Seattle, and Anchorage. In many instances Northwest routes SAM mail to Anchorage and provides connecting service from there to Seattle in order to provide maximum eastbound capability for such mail.

Northwest supported a recently proposed amendment to the Postal Reorganization Act. The amendment would have increased the amount of mail moving from West Coast cities in the United States to overseas military bases. Northwest would welcome this increase as there is presently a far greater amount of military mail moving from the Far East to continental U.S. The proposed amendment would have decreased the present directional imbalance in military mail.

Northwest affords high priority to the transportation of all military letter mail as MOM (military ordinary mail) even though such MOM mail is carried at a lower rate than priority air mail. In reality, we handle the MOM letter mail as priority air mail and are moving it on the first available flight after it has been dispatched to us. It has been Northwest's policy to allow no backlog of SAM mail in the Orient for more than the allowable 48 hours. During certain seasonal traffic peaks when we are unable to move all SAM mail tendered to us in the Far East the appropriate military personnel are so advised in order that they can make other provisions to move the mail we are unable to accommodate. Should legislative change allow the upgrading of SAM mail to MOM mail on a comparable revenue yield, such mail would then have a priority equivalent to air freight and could be moved without delay even during seasonal traffic peaks.

As stated earlier, Northwest has moved all classifications of mail from the West Coast of the United States to the Far East without delay. We have in the past year allocated space for SAM mail moving from the Far East to the continental U.S. and have moved in excess of seven million pounds of such mail. This is a monthly average of nearly 600,000 pounds and a daily average of 20,000 pounds. We clearly make every effort to fill all available space on every aircraft departing the Far East with space available mail.

Northwest is strongly opposed to contract authority by the U.S. Postal Service. The reasons and the history behind this are well known. Suffice as to say, it would cause chaotic price wars by the carriers to the benefit of none.

We believe that all carriers are concerned with the problem of determining projected revenue and actual yield from military mail. The rate making process by the Civil Aeronautics Board is extremely slow. For example, the final rates for military mail carried by Northwest in 1974 have not yet been determined by the Board. We strongly recommend that the handling of mail rate cases be expedited in order that the airlines will timely know the final rates applicable to the carriage of the mail.

Finally let me state to this Subcommittee that Northwest has not experienced any particular problems with either the Department of Defense or the U.S. Postal Service relating to the carriage of military mail. We believe both agencies are aware that Northwest tries to provide the best possible service for military mail.

NORTHWEST ORIENT,
St. Paul, Minn., October 1, 1976.

Mr. GEORGE B. GOULD,
Staff Director of Postal Facilities, Mail and Labor Management Subcommittee,
Cannon House Office Building, Washington, D.C.

DEAR MR. GOULD: Per our discussion in Washington, D.C., I am attaching answers to the additional questions as presented to Northwest Airlines. Should the Committee need additional copies, please advise and I will forward them to you.

Sincerely,

NORTHWEST AIRLINES, INC.,
ROBERT J. SCHON,
Director, Mail and Express.

QUESTIONS FOR NORTHWEST AIRLINES, INC.. FROM THE SUBCOMMITTEE ON POSTAL
FACILITIES MAIL AND LABOR MANAGEMENT

Question 1. Do you have any suggestion on how the CAB rate making function could be expedited?

Answer 1. Northwest Airlines on August 23, 1976 filed a motion to expedite the Board's consideration of Northwest's petition for the establishment of temporary rates filed on February 4, 1976. In that petition, Northwest asked the Board to increase the temporary rates for all classes of international mail to bring them more in line with the carriers' current costs.

Despite repeated attempts on the carriers' part to put the temporary rates on a more economic basis (current temporary rates were established on February 21, 1975) the Board has not yet taken action. On May 30, 1975 Pan Am and four other carriers petitioned for rate increases based on Section 4 of the International Air Transportation Fair Competitive Practices Act of 1974 (Fair Competitive Practices Act). Pan Am filed again on January 19, 1976. Northwest filed on January 16, 1976 amending and supplanting that document on February 4, 1976. To date the Board has taken no action. In April 1976, several carriers urged the Board to expedite action on the various filings. On July 14, 1976, Pan Am again asked for expedition. Still no action by the Board.

The Board has ignored the congressional requirement in the Fair Competitive Practices Act of expeditious treatment of temporary mail rate petitions covering international services.

Rather than leaving the establishment of mail rates to Board order under Section 406 of the Act, carriers ought to file tariffs covering mail rates, under Section 403 of the Act. The Carriers could then initiate rate changes under the normal tariff filing procedures and the Board would have authority to suspend the rates for only a limited time under Section 1002. Tariff changes covering both international and domestic mail rates would come under Section 1002(g) which permits a maximum suspension of only 180 days.

Question 2. In the last few days we have received testimony on the shortage of airline postal capacity between Seattle and Alaska. Have you any comment on this?

Answer 2. Approximately two years ago, in the summer of 1974, the U.S. Postal Service, due to a backlog of SAM mail by air started trucking this mail from Seattle to Anchorage. In August, 1976, the U.S. Air Force conducted an investigation and discovered that SAM mail had continued to move by surface during this two year period.

During the Fall of 1974, NWA added a daily DC-10 wide body frequency and on September 15, 1975 added two 747 Freighter trips a week. This increased our lift capability by 1 million pounds a week. Other carriers, as well, increased the amount of lift in this market.

In October of 1975, January of 1976, April of 1976 and May 1976, NWA through local Seattle management requested more mail in the Seattle-Anchorage market. The U.S. Postal Service AMF Superintendent in SEA asked the air carriers in May if they could carry more SAM mail Seattle to Anchorage. NWA responded in the affirmative and carried the following in June, July and August:

	<i>Pounds</i>
June -----	11, 101
July -----	9, 236
August -----	11, 682

The trucking situation was brought to the attention of U.S. Postal Service by the Air Force in September, 1976. For the period September 10-22, 1976 the following SAM mail was moved by air:

	<i>Pounds</i>
NWA -----	24,434
WAL -----	752
Alaska -----	2,309
Total -----	27,495

Alaska Airlines went on strike on September 24, 1976. Since that date all SAM mail has still been moved by air.

Communication has been the problem and not the lack of space for this mail. The Air Force/DOD should have called this to the attention of the U.S. Postal Service if moving this mail by surface was a problem. It would seem that by letting this situation go on for two years without advising the U.S. Postal Service, that the problem was not severe.

Whenever a problem has been presented to the U.S. Postal Service, Mr. Dandrea has always responded promptly and called a meeting with the military and airlines to solve the problem. Mr. Schon has attended four meetings in the past year with U.S. Postal Service Headquarters Officials, Regional U.S. Postal Service Officials and the military. The latest meeting was September 8, 1976 and no mention was made of this problem, yet other areas that had SAM space problems were discussed such as U.S. to Europe and Tokyo to U.S.

Though NWA has called for additional mail, we have not focused specifically on SAM. This is due in large part to the small amount available. The DOD projects approximately 30,000 pounds a month or 1,000 pounds a day, divided by three carriers is 300 pounds a day for each carrier.

For the past two years NWA has carried on the average of 10,000 pounds of mail (all classes) each day. The relatively small amount of SAM available (300 pounds a day) would not be noticeable. The main point at this time is that NWA has space for all mail Seattle to Anchorage. Since this was presented as a problem, the air carriers in this market have airlifted all SAM mail SEA to ANC. We are certain that had this not been overlooked (the surface move of SAM mail) that we could have carried this for quite sometime.

Question 3. Have you had any problems on accommodating SAM from the Orient? Have you established any new procedures as a result?

Answer 3. Yes, we have had problems in accommodating all SAM mail from the Orient to CONUS. NWA has allocated space to SAM. In testimony submitted by R. J. Schon, he points out that NWA has carried 7,000,000 pounds in the past year. We also make every attempt to operate 747 Freighter Charter flights to take care of heavy freight peaks, thereby releasing space on scheduled flights for military mail. Mr. Schon receives a report each week from the Orient as to how much SAM mail is moved, by day and for the week and the amount that is to be allocated for the next week.

Question 4. Do you have any comment regarding the expansion of SAM limits on outbound parcels?

Answer 4. UWA is strongly in favor of the expansion of SAM limits on outbound parcels. There is a heavy imbalance of SAM mail in that a great deal more is moved from the Far East to the United States. The increased volume by this expansion of SAM limits would serve greatly to decrease the present imbalance.

Question 5. Do you foresee any shortage of airlifting capability in handling the unaccompanied baggage at SAM rates from Okinawa to the U.S.A.?

Answer 5. NWA will work closely with Flying Tigers to provide airlift for unaccompanied baggage as SAM from Okinawa to the U.S.A.

Question 6. Do you have any recommended changes in the present SAM laws?

Answer 6. We would recommend two changes:

(a) Increase the weight limit for SAM mail to 70 pounds for traffic originating in the United States to overseas.

(b) The use of unaccompanied baggage as SAM should be included and used by the DOD. We believe that the airlines can render a high quality, low cost service for military personnel who are being re-assigned.

Question 7. Do you think the Postal Service should have exclusive contracting authority?

Answer 7. As stated in the original testimony of R. J. Schon, NWA is strongly opposed to contract authority by the U.S. Postal Service. The reasons and the history behind this are well known. Suffice it to say, it would cause chaotic price wars by the carriers to the benefit of none.

Question 8. Do you find military personnel efficient in the handling of military mail?

Answer 8. NWA does not have any major problems with military personnel in the handling of mail.

Question 9. Is there sufficient preplanning in the movement of SAM to utilize all available space?

Answer 9. NWA uses all space available to accommodate SAM. Recent photos of flights arriving West Coast cities show not only all bulk compartments filled to capacity, but also the use of space between containers in the automated section of the aircraft.

Question 10. Have you noticed in views by military and postal personnel in the priority of movement assigned to SAM?

Answer 10. Yes. The U.S. Postal Service views SAM mail as Space Available Mail whereas the military has in many cases viewed SAM as priority and expect the air carriers to move this before much higher revenue traffic.

Question 11. Would the rerouting of all military mail to San Francisco adversely affect the economic position of Northwest Airlines?

Answer 11. Very definitely the routing of all military mail to SFO would affect the economic position of NWA. Most of the military mail that NWA carries is from and to Seattle. I might also add that both NWA and Flying Tigers carry a great deal of SAM mail to SEA. If this were eliminated, the amount of SAM mail carried by air from the Far East would be reduced considerably. It would seem that it would be extremely advantageous to continue to use SEA as a gateway. Based on the fiscal year July 1975 through June 1976, the loss of revenue to Northwest Airlines would have been \$5,040,450.

STATEMENT OF JACK M. WOODRUFF, DIRECTOR, POSTAL AND CARGO SERVICE DEVELOPMENT, BRANIFF AIRWAYS, INC.

My name is Jack M. Woodruff. I am Director—Postal and Cargo Service Development for Braniff International. I am responsible for the coordination of postal traffic handling matters with the U.S. Postal Service and other domestic and foreign postal agencies including the U.S. military postal agencies.

Braniff International serves nine countries in South America including Panama. This service is operated from/to the U.S. gateway cities of New York, Washington, D.C., Miami, New Orleans, Houston, Los Angeles, and San Francisco. The majority of the flight schedules originate at JFK and MIA.

Braniff does not operate in either the Trans-Atlantic or the Trans-Pacific areas where the overwhelming bulk of all military mail is concentrated. The military presence of the United States in Latin America is limited.

The Braniff South America routes are operated with DC8-62 and DC8-51 type aircraft. Baggage and cargo including mail, is bulk loaded in the cargo bins. The bins are not equipped with unit load devices (containers).

U.S. military mail is tendered to Braniff at JFK for carriage to various APO and U.S. Embassy mail units located in the countries we serve. These same postal units in South America also tender a small amount of U.S. military mail to Braniff for carriage within South America and back to the U.S.

Braniff's current monthly volume average of U.S. military mail is approximately 131,000 lbs. 66 percent of this traffic moves from JFK to Panama and Bogota, Columbia.

SAM represents 58 percent of the total weight and 38 percent of the revenue.

MOM represents 30 percent of the total weight and 36 percent of the revenue.

AIR MAIL represents 12 percent of the total weight and 26 percent of the revenue.

Braniff's current monthly military mail revenue is approximately \$43,000. This represents approximately 4 percent of our monthly system mail revenue and approximately 17 percent of our monthly U.S. international mail revenue.

There are periods when the amount of SAM and MOM available at JFK is

greater than we can accept on the flights for which it is offered. This is normally due to (1) prior available higher rated cargo traffic which must be moved ahead of space available mail and (2) lack of cargo bin space on the aircraft to load the mail. The northbound military mail tendered to Braniff in South America is normally moved on the flight for which it is dispatched.

Some of the military mail tendered to Braniff at JFK is carried on direct non-stop flights. This is desirable whenever possible to avoid enroute handling. However, a large percent of this traffic must be carried on multistop flights and/or positioned down-line for connections to other Braniff flights. The enroute connect mail awaiting reforwarding is stowed in a location that provides adequate security prior to movement.

We are in frequent contact with U.S. military postal units in South America including the Regional Commanders Office in the Canal Zone. The purpose of these visits is to review the quality of mail service Braniff is providing. Service problems that are brought to our attention are investigated and corrected whenever possible. The local Braniff offices in South America also review our handling of military mail on a continuing basis with postal unit staff personnel.

Based on Braniff's experience of handling U.S. military mail we believe the quality of service could be improved in the movement of SAM and MOM if the mail was tendered to the carrier with a higher priority for movement.

Mr. Chairman, I will attempt to respond to any questions that you may have on this matter.

BRANIFF INTERNATIONAL,
Dallas, Tex., November 1, 1976.

Mr. GEORGE GOULD,
U.S. House of Representatives, Subcommittee on Postal Facilities, Mail and Labor Management of the Committee on Post Office and Civil Service, Cannon House Office Building, Washington, D.C.

DEAR MR. GOULD: Attached hereto is Braniff's response to the questions regarding the hearing on U.S. Military Mail.

If you need any further information from Braniff International, please let me know.

Sincerely,

JACK M. WOODRUFF,
Director, Postal and Cargo Service Development.

BRANIFF INTERNATIONAL

Questions and Answers on Military Mail

Question 1. Isn't the present temporary CAB SAM rate considerably lower than your present cargo rates? How much difference is there?

Answer. Braniff's cargo rates to South America are considerably higher than SAM rates. Following is an example of the SAM and General Commodity cargo rates from New York to Panama:

SAM (rate per lb.) 19.3 cents; (rate per 100 lbs.) \$19.30; (minimum charge) none.

Cargo (rate per lb.) 76 cents; (rate per 100 lbs.) \$57.00; (minimum charge) \$23.00.

Question 2. What changes in the present SAM law would you recommend?

Answer. In the market that Braniff serves in South America, we believe the SAM law should be changed to move SAM mail with a higher priority.

Question 3. Do you favor a change in the present CAB procedure of setting mail rates?

Answer. Braniff favors a change in the present mail rate procedure that would speed-up the rate making process. Rates should be established in a three or four month time period.

Question 4. Would a Postal Concentration Center in Miami assist in providing more space for the movement of military mail?

Answer. A Postal Concentration Center in Miami would assist Braniff in moving military mail to South America. A concentration center at both New York and Miami is desirable.

Question 5. Do you foresee a change in Braniff's type of aircraft to widebodied jets?

Answer. Braniff does not have any plans to operate wide-body type aircraft in South America within the foreseeable future.

Question 6. Have you found a reduction in military personnel at the airports delaying receipt of the mail or requiring more work on your part?

Answer. The time and place for receipt of military mail in South America by military and/or U.S. Embassy personnel are well established and maintained.

Question 7. Do you favor a three category rate for military mail?

Answer. In the market that Braniff serves in South America we feel that the service could be improved if there was only one class of military mail. A good example of this is the service improvements USPS experienced when they went to a one-class mail transportation requirement on domestic service.

Question 8. Are foreign government restrictions on schedule frequencies a problem in Braniff's South American service patterns?

Answer. Foreign government restrictions on Braniff's schedule frequencies have disrupted certain service patterns in the routing of military mail to South America.

Question 9. Since space presently is a premium on Braniff aircraft, what additional difficulties do you see in increasing the size of outbound SAM parcels or carriage of unaccompanied baggage at SAM rates?

Answer. During certain periods, Braniff is unable to move all the available SAM mail on the flights for which it is offered. If the size of the parcels was increased and this resulted in an additional volume of SAM mail some further delays would occur.

Question 10. What level of SAM rate do you think would be necessary to move SAM mail in Latin America?

Answer. SAM rates for Latin America should be equal to or above cargo rates.

STATEMENT BY TRANS WORLD AIRLINES, INC., ON MILITARY MAILS

My name is William H. Clarke. I am Director of Cargo Pricing and Industry Affairs for TWA. In this position I am responsible for TWA's cargo pricing policies, both mail and freight.

Accompanying me is Mr. John F. Murphy, Manager of Postal Affairs and Government Cargo Sales. He is available to answer any questions you may have concerning mail handling procedures, service problems or any other operational problems. In addition, I will be happy to attempt to respond to any questions you may have on pricing or policy matters.

Before proceeding with some brief remarks, I would like to thank the Committee for the opportunity to appear before you today. We very much appreciate your invitation and hope that our comments will be helpful in your deliberations.

There are five points relative to military mail rates and service upon which I would like to comment. They are as follows:

1. ADVANTAGES OF SCHEDULED AIR TRANSPORTATION OVER SURFACE TRANSPORTATION

The use of scheduled air transportation gives significant service advantages to the military, both in terms of time saved over surface transportation and in the scope of the service provided. The time advantage of air is worldwide but, as an example, the airport-to-airport service provided by air from New York to Athens is 10 hours, vs. a dock-to-dock surface time of 360 hours. This air time is less than 3% of surface time. In addition, the number of air crossings is more frequent (14 times more frequent on North Atlantic routes) and air service is available to and from many points throughout the world which surface carriers cannot serve directly.

2. ADVANTAGES OF USING SCHEDULED AIR SERVICE OVER CHARTER SERVICES

In our opinion, the use of scheduled air carrier service is the most efficient method of transporting military mail. Mail traffic is predominantly one directional in nature, with considerably more traffic moving from the United States to overseas destinations than in the reverse direction. Operations of this nature do not readily lend themselves to the use of charter transportation which necessitates the round trip use of aircraft.

Secondly, mail consists for the most part of small batches of traffic to individual destinations. These traffic volumes can readily be accommodated in the numerous

combination and all-cargo flights operated by the scheduled air carriers. The use of chartered aircraft is not a practical or economical alternative to the present method of doing business, since it would require batching these small volumes to a common overseas point and re-dispatch to the ultimate destination. Alternatively, it would require multiple-stop charters with the attendant high costs of performing such stops. This type of service would be duplicative of present scheduled service and wasteful of resources already available to the military and the U.S. Postal Service in scheduled service. In addition, it would delay movement of mail.

3. MAIL SERVICE STANDARDS

The present standards for handling military mail in the areas served by TWA have assured a high level of service. Priority air mail, both military and civilian, receives boarding priority over all other categories of traffic. Military official mail carries the same priority as air freight and with a priority essentially equal to air mail. Space available military mail, in recognition of the lower rate level assessed by the air carriers, has a lower priority than freight. Generally, however, it is moved by the carrier to which it is tendered within 72 hours of tender. In those instances where, within this time frame, the space does not become available, mail is returned to the Postal Service for re-dispatch on another carrier.

It has been our experience that all types of mail moving on transatlantic routes served by TWA has been accorded good service. The only exception to this high level of service occurs around Christmastime, when the peak volumes of freight and mail (civil and military) sometimes make it impossible to board SAM mail within the specified time frames. In recent years, the incidence of refused SAM mail has not been great, so that the level of service provided to the Military has been excellent.

4. PROCEDURES FOR ESTABLISHING MAIL RATES

It is TWA's position that the most effective way of establishing mail rates for air service is through the present CAB procedures. The CAB recently concluded a hearing on the level and structure of international mail rates for all areas of the world. We anticipate that when a decision is reached in this investigation, a firm cost basis for assessing mail rates will be established. We anticipate this cost basis will take into account the priority handling accorded to mail and other features which increase the value of mail service. The International Air Transportation Fair Competitive Practices Act of 1974 directed the CAB to take into account certain UPU factors which are used to establish mail rates for foreign flag carriers. Recently, President Ford reinforced this directive in his policy statement on international air transportation. We feel recognition of these UPU factors is essential to put U.S. carriers on a common competitive basis with foreign flag carriers. Even though the U.S. government has not been reflected in the mail transportation rates. U.S. carrier mail yields are comparable to freight yields, while foreign carrier mail yields are noticeably higher than their freight yields.

We also anticipate that the decision by the CAB will incorporate a procedure for regularly reviewing the economic costs of the carriers providing mail service. A mechanism which will establish an automatic review of carrier costs for providing mail service will be extremely helpful—both for the carriers, by eliminating the time lag which has been experienced in gaining rate increases which are cost-justified, and to those who pay for mail services, the United States Postal Service and the Department of Defense, by allowing them to budget their mail transportation expenses in a more orderly fashion.

We would hope for a final decision by the CAB in this proceeding at an early date. Timely action by the Board will resolve many of the rate issues that have been the cause of contention in the past. We also expect that such a decision will recognize the rate relief requested by the carriers so that we can continue to provide the military and the Postal Service with the high quality service they expect and deserve.

The current mail rates are particularly favorable to the Postal Service and to the military. TWA's overall mail yield on the Atlantic division, for example, is about 32.5¢ per revenue ton mile, while our yield for military mail is approximately 23.9¢ per RTM. This compares to an average yield of approximately 29¢ per revenue ton mile experienced for freight traffic.

Mail rates have not kept pace with the cost increases experienced by the scheduled carriers during the past several years. An example of increased carrier

costs in international operations has been the dramatic fuel increases experienced by the carriers. Fuel prices have more than tripled since 1973. Other expenses have also increased substantially. While some increases in mail rates were experienced in 1973 and 1974, there has been no mail rate increase in any category of mail since October 1974.

5. SUGGESTED CHANGES FOR IMPROVED SERVICE

TWA would like to take this opportunity to suggest one or two changes which would help the carriers to achieve an even higher level of service to the military.

First, the current weight limit for space available military mail is 70 pounds for traffic originating overseas. On the other hand, traffic originating in the United States is limited to 15 pounds, except that shipments up to 30 pounds are acceptable upon payment of a special \$1 fee. We believe that the weight limit for traffic originating in the United States should be increased to the same 70 pound limit as is applicable for traffic inbound to the United States. We can see no logical reason why there should be a lower weight limit for traffic originating in the U.S. This change would benefit service personnel by allowing them to use air service on a wider range of shipments.

Secondly, we believe that the Department of Defense should be encouraged to ship unaccompanied baggage by air. Air transportation is currently permitted under military regulations, but only a small portion of the total potential traffic in this category is now using commercial air service. The SAM rates which apply for this service are among the lowest rates available in air transportation. This is an area where the scheduled air carriers can render a high quality, low cost service for military personnel who are being reassigned.

In conclusion, I would like to state that TWA is most interested in working with the Department of Defense and the U.S. Postal Service in order to improve the quality of service for all categories of mail, and to explore any areas when scheduled air carriage can satisfy a service need. Our interest includes:

A willingness to discuss new service standards.

New rating concepts such as containerization.

Upgrading of the priority status of any classification of mail.

Any other innovative technique which could provide a greater service to the military or the Postal Service.

Again, my thanks to you for this opportunity to comment on these matters. If you now have any questions about these or other mail topics, I will be pleased to attempt to answer them.

TRANS WORLD AIRLINES, INC.,
Washington, D.C., November 11, 1976.

HON. CHARLES H. WILSON,
Chairman, Subcommittee on Postal Facilities, Mail and Labor Management,
Cannon House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Attached are responses to questions posed in your recent Hearings on Military Mail.

Should you require any additional information, please let me know.

Sincerely,

RICHARD S. TRIBBE,
Vice President.

QUESTIONS POSED TO TRANS WORLD AIRLINES, INC.

Question 1. Can you give a brief description of the problems TWA finds in the movement of SAM mail including length of delays, regularity, inability to accommodate SAM?

Answer. TWA's experience in transporting SAM mail has been without major problems. However, there have been instances at Christmas time when the movement of SAM mail to selected destinations was impaired because of weather, air carrier labor strikes, or unusually large volumes of higher priority traffic.

We are concerned, however, with potential future operating problems if certain unneeded documentation for military mail movement is reinstated. During the course of the hearing before the Subcommittee, representatives of the Department of Defense expressed objection to the elimination of dispatch form AV-7.

Elimination of the AV-7 was effected by the U.S. Postal Service and TWA supports this change. The existing system has reduced our handling cost and service problems. The fact that it is no longer necessary to transport documents along with the mail has, in our opinion, improved the mail service, and reduced the overall cost to the government.

Question 2. Do you believe that an annual automatic review of air carrier cost would speed up decisions by the administrative law judges and CAB members in mail rate cases?

Answer. The difficulty in settling mail transportation rates has been caused in large measure by the failure to establish a cost basis. The CAB currently is conducting investigations which hopefully will establish a firm cost base for both domestic and international mail rates. Once this is done, I believe that most of the difficulties we have experienced in getting speedy decisions will disappear. This will certainly be true if the CAB, when it decides the mail rate cases, will order an automatic review procedure. Such a review procedure should use quarterly industry cost data to determine (a) the final mail rate for the previous quarter, and (b) the temporary mail rate for the future period.

We believe such a quarterly review of industry costs is superior to an annual review. Each of the carriers is required to submit cost data to the Board on a *quarterly* basis so the CAB has available to it all the information it needs to make such a review. This procedure will avoid retroactive adjustments for extended periods of time, to the benefit not only of the carriers but to the United States Postal Service and the Department of Defense. We believe the CAB has the authority, via the show-cause procedure, to establish a quarterly review period and automatic adjustment of mail rates. If the Board does not include such a procedure in its decision in the mail rate cases, we feel it would be appropriate to enact legislation which would require an automatic quarterly review and update of mail rates.

Question 3. The imbalance in mail flow (72.5% outbound) has caused TWA to suggest that the Postal Service pay for the unused inbound space. How can you correlate this with support for the expansion of outbound SAM volume that can only aggravate these inbound conditions?

Answer. SAM mail is space available traffic and moves *only* when there is more than enough capacity on a particular flight to accommodate all the higher classes of traffic such as priority mail, official mail and freight. Thus the addition of new mail traffic, even though it will aggravate the eastbound directional flow, will yield additional revenues to the U.S. air carriers. The resulting increased use of aircraft capacity will help to reduce the costs for other classes of traffic, not only mail and freight, but passenger services as well. Also, military users will be provided with a higher quality of service than could be achieved by using surface transportation.

Question 4. Do you favor changing the ratemaking system to either mail tariff filings of USPS exclusive contracting authority?

Answer. TWA feels that neither mail tariff filings nor USPS exclusive contracting authority are better alternatives than the current ratemaking system. This is not to say that the current system is ideal; however, once the CAB decides the pending mail rate proceeding, and provided they institute an automatic review, the future need for time-consuming mail rate proceedings should be greatly reduced or eliminated.

The principal defect in a tariff filing system is, as the CAB recognizes, that there would still be a need for the hearing process if one of the parties objects to proposed tariff filings. In addition, there may be a legal obstacle to a tariff system under Section 406 of the Federal Aviation Act (49 U.S.C. 1376). The Board already has the authority to issue a show-cause order when changes in mail rates are warranted and agreed to by all. This can be a timely and procedurally efficient way to effect mail changes. There is no need for the implementation of a tariff filing system as long as the show-cause order procedure is available to the Board.

As far as USPS exclusive contracting authority is concerned, there is adequate scheduled service available to virtually all points. The use of charter services would waste the scheduled service resources which are currently available, would be inefficient because of the predominantly one-directional flow of traffic internationally (the Postal Service would have to incur ferry charges for any necessary repositioning of aircraft and crews after a one-way charter), and would result in poorer mail service since use of charter services would require delaying mail

until full planeload quantities were achieved. Also, charters would necessarily operate only to central points and mail would have to be redispached to onward destinations.

Question 5. Do you feel that the military at overseas bases have a "mail early" Christmas program which adequately motivates the individual serviceman?

Answer. We are not aware how the overseas military personnel are guided in their "mail early" program. The movement of SAM mail from overseas points served by TWA to the United States has not been a problem.

Question 6. Have you any recommendation as to improvement in the present SAM laws?

Answer. We believe that the weight limit for traffic originating in the United States is too low. While the weight limit for traffic originating overseas is 70 pounds, U.S. originating traffic is limited to 15 pounds (except that shipments up to 30 pounds are acceptable upon payment of a special \$1 fee). We see no logical reason for this disparity and would advocate the same 70 pound limit for outbound traffic from the U.S. as is currently applicable for traffic inbound to the U.S. This change would benefit service personnel and their families by allowing them to use air service on a wider range of shipments.

Although air transportation for unaccompanied baggage is currently permitted under military regulations, only a small portion of the total potential traffic in this category is now using commercial air service. The Department of Defense should be encouraged to ship unaccompanied baggage by air. The scheduled air carriers can render a high quality, low cost service for military personnel who are being reassigned, thus boosting morale and easing the transition for what is normally a disruptive period for military personnel and their families.

Question 7. Do you feel that military or U.S. Postal Service employees are receiving the proper training in the handling of mail with the airlines?

Answer. The training provided the military postal and U.S. Postal Service employees appears to be adequate. Emphasis must be placed on maintaining a training program to insure the proper acceptance and handling of restricted articles in the military postal system that will travel on commercial aircraft.

Question 8. Why do you feel that TWA is at a competitive disadvantage with its foreign counterparts that require the CAB to assess a Universal Postal Union factor?

Answer. The International Air Transportation Fair Competitive Practices Act of 1974 directed the Civil Aeronautics Board to consider the competitive disadvantage which accrues to U.S. carriers as a result of being paid lower rates than competing foreign carriers for the performance of comparable services. A staff study by the CAB's Bureau of International Affairs entitled "Government Ownership, Subsidy and Economic Assistance in International Commercial Aviation", completed in May 1975, identified UPU mail rates as one of the principal means by which foreign governments subsidize or economically assist their national airlines. Included among those foreign flag carriers which are paid UPU based rates by their countries and which are direct transatlantic competitors of TWA, are Air France, Alitalia, El Al, Iberia, Swissair, and TAP. Since the foreign carriers and the U.S. carriers necessarily operate under the same level of passenger fares and freight rates, U.S. carriers are at a competitive disadvantage if they are paid mail rates substantially below their foreign competition. For example, mail yields during 1973 for a representative group of North Atlantic carriers were:

	Mail yield (cents per RTM)	Percent ¹
Air France	60	273
Aer Lingus	97	441
Swissair	87	395
Lufthansa	95	432
Pan American ²	24	-----
Seaboard ²	18	-----
TWA ²	22	-----

¹ Foreign flag mail payments as percent of U.S. flag mail payments.

² Atlantic area.

These figures are taken from a recent CAB report detailing revenue data for the years 1970-1974.

The CAB, however, has apparently chosen not to respond to Congressional intent in this area, a situation which only exacerbates and prolongs the competitive disadvantage suffered by the U.S. carriers. The CAB, in Order 76-10-11, has just denied the carrier's petitions for an increase in the temporary transatlantic, transpacific and Latin American mail rates. This action comes twenty-one months after the passage of the International Air Transportation Fair Competitive Practices Act, and sixteen months after certain carriers (including TWA) filed a petition with the Board for increased temporary mail rates based in part upon Section 4 of the Fair Competitive Practices Act. The long delay already experienced without increasing temporary mail rates will now very likely be extended another twelve to fifteen months. This delay is unconscionable in view of the expedited action Congress expected of the Board when it passed the Fair Competitive Practices Act in late 1974. For this reason, it may be advisable that Congress direct the CAB to increase temporary mail rates, at a minimum, by the increase in common economic costs experienced by the carriers since the quarter ended June 30, 1974, the base period used in setting the current temporary mail rates.

Question 9. Do you believe there should be a closer liaison between CAB, USPS and the air carriers with respect to rate setting by the CAB and the conditions of carriage set by USPS?

Answer. TWA is convinced that the rates set by the CAB for the carriage of mail must be predicated upon a clear and precise description as to the conditions of carriage to be adhered to by the air carriers. Any significant departure from these conditions, as promulgated by the Postal Service, should be grounds for adjusting the appropriate rates of compensation paid to the carriers. TWA supports discussions with the USPS which would develop procedures to aid in facilitating the mail flow.

Question 10. Do you believe that the future SAM rates will make the movement of unaccompanied baggage by SAM as attractive on a cost basis as in the past?

Answer. While there is no way of knowing what ultimate level of rates for SAM will be set by the CAB, TWA is confident that the movement of unaccompanied baggage by SAM will be as attractive as it has been in the past. Although SAM rates may increase, they will remain among the lowest rates available in air transportation. When one considers the service advantages of fast, frequent and efficient scheduled air transportation compared to surface alternatives, unaccompanied baggage would receive outstanding service relative to the price paid for air transportation.

Question 11. What new rate concepts in containerization do you foresee?

Answer. TWA supports container rate discounts which can be justified on the basis of reduced carrier costs. We also support container discounts on a value of service basis where it can be shown that a substantial portion of the traffic carried would be diverted from the surface mode. A more precise determination of the discounts which would be offered and service standards which would apply, could probably best be resolved through discussions among the air carriers, the Department of Defense, and the U.S. Postal Service.

SEABOARD WORLD AIRLINES, INC.,
Jamaica, N.Y., September 17, 1976.

HON. CHARLES H. WILSON,
U.S. House of Representatives,
Cannon House Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your invitation of August 25. Unfortunately, I have been called to Europe on short notice. However, both Seaboard World Airlines and I feel that we should contribute to these important hearings.

Attached to this letter is a statement of Seaboard's position on the subject of U.S. International Military Mails. This statement was prepared after discussions with members of your staff.

I was very pleased to have the opportunity to discuss military mail hearings with Mr. Cavanagh and Mr. Smith. I hope this statement and our discussions with your staff will be of value to you and your committee.

Sincerely,

JOHN H. MAHONEY,
Senior Vice President, Sales.

STATEMENT OF SEABOARD WORLD AIRLINES, INC.

Mr. Chairman and Members of the United States House of Representatives Subcommittee on Postal Facilities, Mail and Labor Management, Seaboard World Airlines and I are particularly pleased to be called upon to contribute to these hearings. Seaboard's participation in Department of Defense Transportation Logistics has been long and honorable. Seaboard was a founding member of the Civil Reserve Airfleet Program and has participated in every major emergency since the institution of that program. Indeed, the first civilian aircraft into Berlin during the 1949 airlift and one of the last aircraft out of Vietnam in 1975 flew the colors of Seaboard World.

Seaboard's interest in military mail has been long outstanding; and because of Seaboard's service and that of the other U.S. Flag Carriers, it is our opinion that the United States Department of Defense military mail system is the finest in the world. Through that mail system, utilizing the scheduled services of U.S. civil air carriers, communications can be sent from the Military Mail Terminals in the United States to almost any point in the World within 24 hours. Again, we sincerely believe that no other military mail service in the world could match this type of service. However, Mr. Chairman and Members of the Committee, we recognize that to stand still in vital defense matters such as military mail service leads to stagnation and even regression.

The United States international flag airlines have been able to meet the designated needs of the Department of Defense in times of emergency. The most recent major call was for logistical support to and from Southeast Asia. At that time, Seaboard, as well as the others, provided outstanding lift which was not available from the organic military fleet. However, it is not only during emergency situations that the civil carriers are utilized. A recent analysis has shown that during the month of December, 1975, Seaboard was able to carry to Europe large amounts of mail in excess of normal quantities. As an example, using the normal month of June as a base, Seaboard increased its carriage of airmail by 280 percent, of Military Official Mail by 57 percent, and of Space Available Mail by 447 percent during December 1975. During the Christmas period of 1976, Seaboard plans to increase its lift to Western Europe by at least 30 percent. This lift will certainly provide for the volumes of mail carried last year and ensure that any excess mails will also be accommodated.

The United States flag carriers have been called upon to adjust their planning and handling procedures on short notice. The most recent example occurred in Fall of 1975. At that time the United States Postal Service and Department of Defense requested that the civil air carriers cooperate in the redesignating of certain classes of mail into a new class, namely "letter MOM" mail, in order to provide a better service for the military member overseas. Within one month and after only two meetings this service was instituted and transatlantic mail was flown in this new category. I mention this to bring to your attention the willingness of Seaboard and the other carriers to adapt quickly and efficiently to handle the needs of the United States Postal Service and, particularly, the Department of Defense.

In the late 1960's, it became apparent that new methods for the handling of large volumes of military mail were needed. At that time, Seaboard provided to the Postal Service "igloo" type containers, material handling equipment to be used within the postal building, and transport chassis for the handling of the "igloo" container. The Postal Service in their own facility placed security and official mails into these containers along with personnel mails, sealed these containers, and the containers were carried seal-intact to the military concentration points in Western Europe. While this system provided safe and reliable mail carriage, more efficient methods were needed.

In response to this need, Seaboard, the United States Postal Service and the Department of Defense, in 1975 developed a truly intermodal containerization system for the carriage of SAM mail between the United States and West Germany. This intermodal service was made possible by the development of the Boeing 747 pure freighter type aircraft. This aircraft was capable of carrying thirteen 8' x 8' x 20' intermodal type containers. Using this intermodal system, the container, with a capacity of 1138 cubic feet was positioned at the Bulk Mail Facility, New Jersey where military SAM type mail is prepared for dispatch. The U.S. Postal Service employees loaded and sealed the containers. The containers were then hauled directly to the ramp at JFK International Airport, flown on the Seaboard 747 Containership to Frankfurt, West Germany and delivered seal-intact to the military postal facility at Frankfurt Airport.

The next logical step came in the Spring of 1976 when containers were made for overseas delivery to an off-airport ultimate destination. In these instances, a mail service is offered for the first time between off-airport points providing almost absolute security from damage, pilferage and weather conditions. And further, it decreases the handling by military, postal and airline personnel to less than one third of the previous method.

Starting in May 1976, the flow of intermodal containerized mail came West-bound as well as mails were made up in containers at interior points in Germany, sealed, transported through Frankfurt Airport and delivered to the USPS facility in New Jersey, seal-intact, providing service from Germany to the United States. There, thus, now exists an international intermodal transportation system for the carriage of military mails between the true origin and true destination of these military mails utilizing Seaboard's intermodal air transport capability. This in-being system reflects the policy recently enunciated in the President's International Air Transportation Policy Statement that "air carriers should seek to improve the quality of the total transport service by effectively integrating the ground and air transport segments in order to lessen total transit time, improve shipment security, and lower transport costs." I am particularly pleased to state that on September 9, 1976, the one millionth pound of intermodal containerized military mail arrived at JFK International Airport from Germany.

It is our opinion that the present mail service offered by the airlines is working well, but we would be pleased to work along with any group to improve the service. It is Seaboard's intent to stay not only abreast but ahead of the field in providing excellent mail service for our military personnel overseas. Please call upon us, Seaboard will be there.

AMERICAN MARITIME ASSOCIATION,
Washington, D.C., October, 1, 1976.

HON. CHARLES H. WILSON,
Chairman, Subcommittee on Postal Facilities, Mail, and Labor Management,
Committee on Post Office and Civil Service, Cannon House Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your letter of September 1 inviting the American Maritime Association to testify at the Subcommittee's hearings on the carriage of military mail.

I regret that it was necessary for the Subcommittee to cancel the hearings of September 24 at which AMA was scheduled to testify orally.

In response to a request by the Subcommittee staff, however, I enclose, in triplicate, a copy of our statement, and I trust that this will be included in the official record of the hearings.

Sincerely,

ALFRED MASKIN,
Executive Director.

STATEMENT OF THE AMERICAN MARITIME ASSOCIATION ON THE CARRIAGE OF
MILITARY MAIL

Mr. Chairman and members of the subcommittee, I am Alfred Maskin, the Executive Director in Washington for the American Maritime Association, which consists of 36 companies operating 102 American-flag merchant ships in the foreign and domestic commerce of the United States.

Of these 102 vessels, more than half are containerships operating regularly scheduled liner services between continental U.S. ports; to non-contiguous states and territories such as Alaska and Puerto Rico, and in all the major trading areas of the world—in the Atlantic, the Pacific, the Mediterranean and the Caribbean; in Europe, the Near East, the Far East and Latin America.

It is our liner vessels, as distinguished from our dry bulk carriers and tankers, which are concerned with the carriage of military mail; and in their behalf I express our thanks to the subcommittee for its invitation to us to express our views on this subject.

We are particularly gratified to note that the subcommittee, by its invitation, has recognized that the enactment of certain postal legislation could have an important impact upon an industry which is essential to the nation's well-being—the maritime industry.

The subcommittee has invited us, among other things, to describe to it the services we are able to provide with respect to the carriage of military mail; and thus I would begin this presentation by observing that the vessels of AMA liner operators—*i.e.*, AMA containership operators—include those which we believe to be the finest, fastest, and most efficient of their kind afloat.

Moreover, the ocean-going services of these vessels have been coupled with those of feeder ships which move cargo to and from inland ports, and with those of truck and rail carriers to move freight to and from inland points beyond the port areas.

The result, achieved through the investment of more than \$1.5 billion of private capital in vessels, containers and chassis since the containership revolution was launched by one of our member companies 20 years ago, is a totally integrated transportation system in which cargo is carried, intermodally if necessary, point-to-point, in sealed containers which protect it from loss, damage and theft.

The transportation system I have just described is one which, we are confident, is not surpassed by the systems offered by the shipping companies of any other nation; and its development has been important to the United States, not only in assuring it of reliable national-flag vessels to carry its commercial cargoes at home and abroad, but in providing it with an invaluable auxiliary to our defense establishment in peace and in war.

In peacetime the vessels of AMA members—as well as other vessels of the U.S. merchant marine—annually carry, without disruption or delay, millions of tons of military cargoes to our service people and defense installations around the globe; and the exploits of the merchant fleet in war—as, for example, during the Vietnam conflict, when U.S. merchant ships carried 98 percent of all the war material sent to that theatre—are so indelibly engraved on the pages of history as to need no further discussion here.

Suffice it to say that the merchant marine has earned its reputation as our fourth arm of defense.

With respect to the carriage of military mail, which is the subject of this oversight hearing, the message we would convey to the subcommittee is a simple one: That what U.S. merchant vessels can do for the movement of other types of military cargo they can do for the movement of military mail. They can, in brief, provide fast, safe, reliable and efficient service to and from all parts of the world—and, with particular respect to mail, they can do this on a priority basis, in that mail is the last cargo loaded on a ship, and the first off.

Furthermore, our ships can provide such service at costs of from one-third to one-fourth the costs of air carriers. Figures we have obtained, for example, show the cost of moving space available mail (SAM) between New York and Frankfurt to be .3195 cents per pound, as compared with .105 cents per pound for mail moved by surface transportation.

In the Pacific, SAM costs between San Francisco and Tokyo were .4598 cents per pound compared with surface costs of .1302.

Putting this another way, had the 60,756 tons of SAM mail which moved during fiscal year 1975 and 1976 moved by surface transportation, the cost savings to the Government would have been in excess of \$39 million.

In the past, unfortunately from the standpoint of our industry, there have been occurrences which have diminished the role of the merchant marine in the carriage of military mail, notably the enactment in 1972 of Public Law 92-469 which increased to 70 pounds and 100 inches in girth the weight and size of parcel post packages which could be sent by air from military installations abroad to the United States.

As might be expected, and as shown on *Attachment No. 1*, there were thereafter sharp drops, both absolutely and percentagewise, in inbound surface carriage in both the Atlantic and the Pacific, and corresponding increases in SAM/PAL movements in both areas.

In outbound movements, to which the increased dimensions of Public Law 92-469 did not apply, surface carriage in the Atlantic remained stable in volume and actually rose slightly in percentage terms; while in the Pacific, although

both surface and SAM movements declined with the wind-down of the Vietnam war, surface carriage also increased as a portion of the total.

Should the outer dimensions of Public Law 92-469 be applied to SAM parcels outbound—as was proposed in the Congress this year, and as, after failing in the Congress, was again proposed by witnesses in these hearings—it is reasonable to expect that the impact would be as damaging, not only on surface carriers but on the taxpayer.

As can be seen from *Attachment No. 2*, while the surface movement of outbound cargoes from gateway cities on both coasts now is somewhat greater than that of SAM/PAL cargoes, it is the SAM/PAL cargoes which make up over 60 percent of the total movements; and any reduction of surface cargoes on the outbound leg—which now accounts for over 90 percent of surface carryings—would increase the disparity on total movements.

Our estimates are that application of the Public Law 92-469 dimensions to outbound cargoes would reduce the surface carriage of these cargoes by 30 percent to 40 percent, with an increased cost to the Government of some \$5 million a year.

Finally, while I realize that these hearings are concerned with military mail, I must note that a number of long-term contracts for the movement of civilian mail, which traditionally has been carried by U.S. ships, now have been awarded by the U.S. Postal Service to foreign-flag shipping companies, thus compounding the total mail loss to U.S. vessels.

These oversight hearings do not, of course, deal with specific legislative proposals. We understand, however, that out of them may come legislative recommendations for consideration by the Congress next year. Accordingly, we would conclude our presentation with the following views:

First, legislative proposals should be announced sufficiently in advance of their consideration by the Congress to allow affected parties time thoroughly to evaluate the impact upon them—and perhaps to have meaningful discussions with military and postal authorities, as well as carriers in other modes—before preparing their positions for expression at public hearings.

While we are aware that customarily considerable time elapses between the introduction of legislative measures and Congressional action on them, there have, unfortunately, been instances in the past when there has been insufficient time between the publicizing of a proposal and final action by the Congress to allow affected parties appropriate measures despite the often significant impact of the proposal upon them.

Second, all legislative proposals offered should be consistent with the spirit of the national transportation policy of the Congress as set forth in the Act of September 18, 1940, c. 722, Title I, Sec. 1, 54 Stat. 809, which provides, *inter alia*, for:

The recognition and preservation of the inherent advantages of each mode of transportation.

The promotion of safe, adequate, economic and efficient service and the fostering of sound economic conditions in transportation and among the several carriers.

The establishment and maintenance of reasonable charges for transportation services without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices.

All of these actions, as the Act states, should be “to the end of developing, coordinating and preserving a national transportation system by water, highway and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense.”

Finally, no legislative proposal should be adopted without a thorough evaluation of the cost-benefit ratio of the service to be rendered.

To the extent that this subcommittee may desire it, and to the extent that we may be able to provide appropriate data, we would, of course, be pleased to cooperate in any study which may be undertaken.

Again, we would thank the chairman and the members of the subcommittee for the opportunity they have given us to express our views.

MILITARY MAIL MOVEMENTS

[In weight tons (2,000 lb)]

Fiscal year	Surface	SAM/PAL ¹	Total	Surface percent of total
OUTBOUND				
Atlantic:				
1970	9,441	10,074	19,515	48.3
1971	8,734	9,757	18,491	47.2
1972	10,415	10,249	20,664	50.4
1973	9,615	10,308	19,923	48.2
1974	10,078	9,497	19,575	51.4
1975	10,422	9,465	19,887	52.4
1976	10,265	9,652	19,917	51.5
Pacific:				
1970	27,856	26,930	54,786	50.8
1971	23,024	25,582	48,606	47.3
1972	12,772	13,884	26,656	47.9
1973	8,859	8,628	17,487	50.6
1974	10,534	6,478	17,012	61.9
1975	9,965	5,411	15,376	64.8
1976	6,815	3,833	10,648	64.0
INBOUND				
Atlantic:				
1970	8,051	3,757	11,808	68.1
1971	8,329	3,750	12,079	68.9
1972	8,074	3,406	11,480	70.3
1973	2,895	8,414	11,309	25.5
1974	1,133	10,118	11,251	10.0
1975	1,155	9,044	10,199	11.3
1976	1,047	9,538	10,585	9.8
Pacific:				
1970	13,666	5,642	19,308	70.7
1971	24,505	6,626	31,131	78.7
1972	20,976	5,384	26,360	62.4
1973	4,015	9,984	13,999	28.6
1974	169	9,468	9,639	1.7
1975	277	7,552	9,829	2.8
1976	193	6,421	6,434	2.9

¹ SAM—space available mail; PAL—parcel air lift.

FISCAL YEAR 1975 (JULY 1, 1974 THROUGH JUNE 30, 1975)

[In weight tons (2,000 lb)]

	Outbound	Inbound	Total	Percent of total
Atlantic:				
SAM (New York) and PAL	9,465	9,044	18,509	61.5
Surface (New York)	10,422	1,155	11,577	38.5
Pacific:				
SAM (San Francisco) and PAL	5,411	7,552	12,963	55.9
Surface (San Francisco)	9,965	277	10,242	44.1

FISCAL YEAR 1976 (JULY 1, 1975 THROUGH JUNE 30, 1976)

Atlantic:				
SAM (New York)	9,652	9,538	19,190	63.0
Surface (New York)	10,265	1,047	11,312	37.0
Pacific:				
SAM	3,833	6,241	10,094	59.0
Surface	6,815	193	7,008	41.0

STATEMENT OF THE AMERICAN INSTITUTE OF MERCHANT SHIPPING

The American Institute of Merchant Shipping (AIMS), representing the owners and operators of approximately 70% of U.S.-flag merchant vessels, many of which regularly transport military mail, is pleased to have been given the opportunity to submit evidence of the efficient and economical postal transportation service we regularly provide to U.S. servicemen overseas.

The scheduled U.S.-flag liner service to and from over 400 major world ports provides for convenient, dependable, and cost-effective transportation of mili-

tary mail. Our wide range of regular berth liner services to the areas of the world with the heaviest U.S. troop strength provides the military postal system with the ideal means of transportation for low priority mail. Our intermodal fleet has become the undisputed leader on the world's sealanes. The U.S. maritime industry's extensive use of intermodal containerization and highly automated material handling devices enables a postal facility to load and seal a container with cargo bound for a specific area or base. Such capabilities decrease handling time and greatly reduce the possibility of pilferage or damage to this most important cargo. The capability for high density usage of our intermodal maritime containers assists the military in providing for a secure and uninterrupted end-to-end flow of low priority mail.

The Military Sealift Command (MSC) awards, on the basis of competitive bids, surface transportation contracts for military cargo, including mail and postal equipment. The types of military mail currently carried via surface transportation are: second class mail with no time value; third class official mail; and outbound fourth class mail that exceeds 15 pounds and 60 inches length, breadth, and girth, with the exception of those packages, of less than 30 pounds, for which an extra dollar has been paid for air transportation, under Parcel Air Lift (PAL) provisions. The surface mail transported under these categories at present amounts to approximately 36 percent of the total surface and space available military mail worldwide; the remaining 64 percent is space available mail (SAM) which travels via air.

Based on a worldwide average, the cost of transporting military mail using surface transportation is about one-third the cost of air movement by SAM. It costs the U.S. taxpayer approximately \$255 per ton (13¢/lb.) for scheduled surface transportation of military mail as compared to \$864 per ton (43¢/lb.) via space available airlift. Of an estimated \$42 million U.S. expenditure for SAM and surface military mail transportation, only \$6 million, or 14%, is as a result of surface transportation costs. Additionally, the air carriers, in March of 1974, petitioned the Civil Aeronautics Board (CAB) for an increase in their fixed rate for the transport of SAM; this petition is still pending. The Committee may be interested in the details of a study done in 1974 by the General Accounting Office (#B157024) on the cost of transporting fourth class parcels from armed forces post offices abroad. The report dealt primarily with cost comparisons of surface versus SAM transport in the Pacific, and showed the substantial savings which can be realized if low priority mail is moved by ocean transportation.

All major areas of U.S. troop deployment are regularly serviced by a wide range of U.S. merchant vessels which offer low cost, dependable service without the uncertainties of space available airlift. Surface transportation can be programmed on a highly reliable schedule, and historically the handling and delivery of military mail has been accorded top priority by ocean carriers.

We are not aware of any service deficiencies presently associated with the movement of military mail by ship. While surface transportation is ideal for low priority, no time value post, we additionally support the select use of space available air transport insofar as it provides good service for letters, magazines, and small parcels mailed to, from, or between military post offices. If large parcels not exceeding 30 pounds or 60 inches have particular time value, the payment by the sender of the modest \$1 surcharge plus fourth class postage will secure PAL transportation. PAL is quite economical to the serviceman and prevents wasteful diversion of mail from surface to air transportation at great expense to the taxpayer.

In summary, let me assure you that AIMS and our industry strongly support high quality mail service for our military personnel stationed overseas. Economical alternatives to surface transportation presently exist. Those parcels which are conveyed via surface have been judged by the sender to be adequately served by ocean carriage and not in need of SAM transport. The Committee should, in the public interest, ensure that low priority items continue to move via effective, efficient, and economical surface transportation. The mail now moving by sea consists, in very substantial measure, of low priority official mail, such as training manuals and government forms, and a small quantity of personal mail, notably parcels having been determined to have no particular time value. If, as a result of these hearings, the Committee concludes that the law governing the movement of military mail should be revised, the American-flag cargo-liner industry stands ready to assist.

SEA-LAND SERVICE, INC., STATEMENT OF VINCENT P. STAUNTON

My name is Vincent P. Staunton and I am Vice President, Marketing Services for Sea-Land Service, Inc. I am accompanied by Mr. Gerald A. Malia, Ragan & Mason, our Washington Counsel. I wish to express the gratitude of Sea-Land, as well as my own personal gratitude for this opportunity to present our company's views on the subject of military mail and related matters.

We believe the Committee's hearing is most timely and recognizes the need for oversight on the transportation of mail. Our company provides a viable, efficient and economical containership service for moving postal parcels at a fraction of the cost of airlift.

We are not aware of any service deficiencies presently associated with the movement of military mail by ship. While surface transportation is ideal for low priority, no time value post, we additionally support the select use of space available air transport insofar as it provides good service for letters, magazines, and small parcels mailed to, from, or between military post offices. If large parcels not exceeding 30 pounds or 60 inches have particular time value, the payment by the sender of the most \$1 surcharge plus fourth class postage will secure PAL transportation. PAL is quite economical to the serviceman and prevents wasteful diversion of mail from surface to air transportation at great expense to the taxpayer.

Sea-Land is a common carrier by water and operates an unsubsidized fleet of containership vessels in the domestic and foreign commerce of the United States. We employ 46 United States flag containerships in our worldwide operations. The trailer equipment supporting the marine operation is comprised of over 77,000 containers, and 44,000 chassis, of 35-foot and 40-foot lengths.

The Sea-Land trailer bodies and vessels are employed in the so-called lift on-lift off type of operation, are of special design, and the containers are detachable from the chassis in order to lift the loaded or empty container by crane, which is located either on the vessel or shoreside. Mail is moved in the same sealed containers. At destination the container with the freight intact is lifted off the vessel onto a waiting empty chassis for delivery direct to the consignee. Where the freight originates or terminates at interior points, beyond the port areas, the trailers are interchanged with all moles, viz., common carriers by motor vehicle, contract or private carriage, or move on railroad trailer on flat car or container on flat car service to provide through intermodal pick up or delivery service.

Sea-Land offers the following advantages to the Military and the Post Office:

1. Over 20 years of experience in containerization (See attached),
2. Reliable and low cost U.S. flag service, with the latest in vessel and systems technology,
3. Energy efficiency,
4. Door-to-door mail handling, and
5. Service to/from 89 worldwide ports.

Our services are ideally suited for the movement of fourth-class parcels, particularly the SAM/PAL ("space available" airlift) movement.

In recent years, particularly since the size and weight changes in the 1972 amendment, Public Law 92-469, there has been an arbitrary favoritism to air carriers which has resulted in the award of large amounts of SAM military mail to airlines without a sound basis as to cost or service.

During this same period, and continuing to the present time, the U.S. Postal Service has been awarding long term contracts for commercial mail to foreign flag shipping companies. Four year contracts have been awarded to: ZIM Lines, for Spain, Israel and Japan; Dart Lines, for Belgium, Denmark and Ireland, and Polish Ocean Lines, for Poland.

All of these contracts are still in effect. This practice of awarding long term contracts to foreign flag operators precludes U.S. flag Commercial mail service to these areas. The result of both factors is the available cargo is being allocated to airlines and a large segment of the balance is being routed via foreign flag operators. The steady shift in military mail from U.S. flag liner service to air and foreign flag carriers has been at enormous extra cost to the American economy as is demonstrated by volume and cost statistics.

During the years 1964 through 1974 the liner industry introduced the most advanced technology for ocean transportation with containerships, Ro/Ro ships, barge system vessels and automated terminal systems. During this same time frame, when the industry had developed and was offering the best technology in the world, the ocean movement of military parcels declined from 64% to

37.5% because of a series of arbitrary size and weight restrictions in Title 39 of the Code. The arbitrary size and weight limitations began in 1966 with PL 89-725 and culminated in PL 92-469, another amendment to require air transportation of more fourth-class parcels on a "space available" basis which caused diversion of substantial surface tonnages to air movement at approximately three times the cost of surface transport.

The immensity of the SAM/PAL burden upon the taxpayers and the economy is evidenced by a review of the premiums (or penalties) paid for SAM/PAL service in the Transatlantic and Transpacific trades in FY 1975 and 1976:

Costs per ton (2,000 lb.)

Atlantic:

SAM/PAL -----	\$686
Liner -----	\$195
SAM/PAL premium (percent) -----	251

Pacific:

SAM/PAL -----	\$1,191
Liner -----	\$286
SAM/PAL premium (percent) -----	317

We estimate that the use of SAM/PAL services has caused the government to incur approximately \$20 million more in cost *per year* in the Transatlantic and Transpacific movements than would have been incurred had U.S. flag liner services been used.

What benefit did the Government receive in return for approximately \$40 million premium paid to the air industry in just these two trades for FY 1975 and 1976?

In 1974, GAO investigated the 1973 cost of airlifting parcels in the United States/Thailand trade. Their report B-157024 of December 18, 1974, found that tonnages moved via air at a cost of \$1.3 million could have moved via surface for only \$208 thousand—an "excess cost of shipping 4th class parcels by air of \$1,114, 580". In other words, it cost over 6 times as much to have moved via air.

One must naturally question the cost/benefit ratio of the premium priced air service, particularly in view of GAO's finding that one of the major items being airlifted were ceramic elephants from Thailand at an air versus surface premium of \$23 per elephant.

Likewise, the GAO report found that foreign manufacturers were apparently making furniture in component parts so as to fit into PL 92-469 air required service size and weight limitations. This clearly indicates that items which the Congress never intended to be afforded triple cost premium air service are indeed being provided air service at an enormous penalty to the U.S. taxpayers.

The GAO recommended a study, guidelines, possible changes in legislation, and advised the then Secretary of Defense that he must submit a written statement on the recommendation. What resulted from this 1974 GAO investigation? To this date the report has not been answered.

Why should the Government pay 3 times the cost or more and receive only a "space available" service. "Space available" is no service at all unless for some unrelated reason there is unused space. As we all know, the times when space is a problem, are the very times when service is needed particularly for military parcels, for example, Christmas time.

Transworld Airlines, in their statement, admit they are sometimes unable to board SAM/PAL mail around Christmas time. And yet this is exactly the time when the SAM/PAL mail is most needed. The statement by Transworld Airlines also argued there are "significant service advantages" to the military by the use of scheduled air transportation.

It is interesting to note that TWA's presentation overlooked the key issues involved; i.e.,

(1) What are the real service needs of the tonnage being moved and do they justify mandatory airlift based merely upon parcel weight and dimensional considerations.

(2) How are these service needs being met in *specific* terms of cost/benefit ratios of parcel airlift vs. liner service, and

(3) The air vs. liner energy efficiency question.

On this last point, the Energy Policy and Conservation Act, Public Law 94-163, calls on each Department of the Government to conserve fuel. According to FEA's Project Independence Report (November 1974, see attached) the energy

efficiency facts for intercity freight air and surface in Ton-Miles/Gallon were as follows:

Water :		Air :	
1972 -----	276	1972 -----	5
1983 -----	282	1983 -----	5
1985 -----	288	1985 -----	5

This means that surface obtains 276 tons/miles per gallon of fuel while air obtains 5! The energy efficiency of surface is over 55 times greater than air. With this discrepancy in efficiency does it make sense to move ceramic elephants by air at taxpayers' expense?

During the Committee's hearing there was testimony by the Department of Defense as to a "space problem" in moving parcels from Seattle to Alaska. As a result of this problem, parcels were not moving by air but by truck. This is another area which deserves the Committee's attention as to cost-benefits.

Sea-Land offers containerized service between Seattle and Anchorage, Alaska, with dock-to-dock transit time of 88 hours and a minimum of 3 sailings per week. From 1965 through June, 1975, Sea-Land provided Alaskan mail service under Post Office contracts which required Seattle to Anchorage and Seattle to Fairbanks "post office to post office" transmit times of not more than 96 hours. The rates for our service today are equivalent to 6.7 cents northbound and 3.5 cents southbound per pound versus SAM costs of 12.9 cents per pound. With economics and service abilities of this type, we fail to see how the higher cost "space available" air service on 4th class parcels could possibly be cost/benefit justified in the Seattle/Anchorage trade, particularly in view of the testimony before the Committee about an air service problem in this very trade.

In addition to the various SAM issues, there is also the foreign flag issue noted above. This involves another surprising fact involving the movement of parcels that do go via ship. By law, there is a preference by American flag vessels. However, in its "T-4" handbook which provides the actual "instructions" for all procedures in the handling of surface mail, the actual Post Office preference is something else:

118.4 Preference for Vessels of United States Registry:

.41 Use of vessels of U.S. registry for all registered mail for and from Alaska, American Samoa, Canal Zone, Guam, Hawaii, Midway, Puerto Rico, Virgin Islands, Wake and the United Nations Trust Territory of the Pacific (U.S.).

.42 In assigning mail to steamers, consider the arrival of the mail at destinations by the most expeditious means, consistent with the preference allowed vessels of United States registry. Give preference to such vessels for the conveyance of letter mail, newspapers and other preferential prints mailed by publishers when their scheduled date of arrival at the foreign port is not more than 48 hours after the scheduled date of arrival of an available vessel of foreign registry.

.43 Give preference to vessels of United States registry for the conveyance of unimportant prints when the scheduled date of arrival at the foreign port is not more than 7 days after the scheduled date of arrival of an available vessel of foreign registry.

To our knowledge, this actual regulation is not published in the Federal Register.

Compare this situation with the instructions for air carriers in Handbook "T-1" entitled "International Airmail", also not apparently published in the Federal Register, but still the actual regulation used by the Post Office:

35 When little or no space (either on a direct flight or via a connecting point) is anticipated by any air carrier for more than 48 hours, one of the following alternatives will be authorized:

- a. Regular scheduled Military Airlift Command (MAC) flights without previous forecast.
- b. MAC space required forecasted movement by the military departments.
- c. Commercial charter flights by contract arranged by MAC.
- d. Upgrading.

e. Military Department Headquarters will be responsible for the authorization and coordination with the United States Postal Service and the Department of Defense for the use of:

- (1) Commercial charter flights by contract with U.S. Postal Service.
- (2) Foreign flag air carriers.

This means that the Post Office's real regulation for ocean carriers does not provide the preference required for American flag ships, but that their real regulation for air carriers even contemplates "foreign flag carriers" with no mention of utilizing American flag ships under any circumstances!

In conclusion, we would urge the Committee to undertake an analysis of the actual cost, including energy considerations, of the air and water service options for moving parcels overseas, their respective service attributes; and the service needs of the mail to be moved. We are confident that such an analysis will quickly demonstrate that the current statute is providing unnecessary, unwarranted, and energy wasteful, premium priced air service to much of the tonnage, without any real benefit except to the air interests, and all of this is at a huge taxpayer expense.

We would trust that the Committee would conclude that what is needed is a statute that enables both air and water modes to compete for the mail on the basis of cost, service and energy efficiency, with the service standards based upon identified service needs of articles being mailed.

We are confident that such legislation would enable much of the current SAM cargo to move via liner services at a substantially reduced expense level, great energy savings, and receive service that meets the real needs of the cargo.

We would suggest that items of letter-mail and sound recorded communications having characteristics of personal correspondence merit airlift, while catalogues, ceramic elephants, and furniture are better suited for movement via low cost and energy efficient U.S. flag liner services.

Additionally, we urge the Committee to look into the practice of the Postal Service awarding long term contracts to foreign liner companies on routes having competitive U.S. Flag services. We are confident that it will determine that such practices are not justified, and are in fact the result of archaic, unsound and inconsistent standards being applied to the competitive bids of Sea-Land and other U.S. Flag liner companies.

MAIL ORDER ASSOCIATION OF AMERICA,
Alexandria, Va., September 23, 1976.

HON. CHARLES H. WILSON,
Chairman, Subcommittee on Postal Facilities, Mail and Labor Management,
Committee on Post Office and Civil Service, U.S. House of Representatives,
Cannon House Office Building, Washington, D.C.

DEAR CHAIRMAN WILSON: Enclosed are four copies of comments by the Mail Order Association of America setting forth the Association's views on the report by the GAO concerning the availability of space-available mail (SAM) service for catalogs. We would appreciate the inclusion of these comments in the record of the hearings on the military postal system which you are conducting currently.

As is developed more fully in the comments, it is the position of the Mail Order Association of America that the GAO did not give adequate consideration to either the value of catalogs to servicemen or the need for prompt delivery. As a practical matter, delivery of Christmas catalogs by surface transportation would make it impossible for them to be used by servicemen overseas.

Additionally, because of recent changes in mail order company procedures limiting SAM service to Christmas catalogs, we believe that the GAO's estimate of the cost savings which could be effected by terminating the service are substantially overstated. Although the MOAA does not have precise cost data (which only the Department of Defense would have), it is our estimate that a termination of service for those catalogs now being shipped by SAM service would result in savings of only about \$50,000 per year.

We do appreciate your consideration of our views.

Sincerely yours,

H. BENTLEY HAHN.

COMMENTS OF THE MAIL ORDER ASSOCIATION OF AMERICA ON THE MILITARY POSTAL SYSTEM

The Mail Order Association of America (MOAA) consists of ten of the nation's major mail order retailers. The Association was incorporated in 1934 and has as its purpose to promote, through the cooperation and coordination of its members, the interests of companies selling by mail. Members of the Association sell to servicemen customers overseas and are vitally interested in an efficient and economical mail service.

It is the position of the MOAA that the present laws, as they have been implemented by the U.S. Postal Service, are adequate to provide an acceptable level of mail service to our servicemen overseas. Any reduction in the level of service would adversely affect the ability of overseas personnel to effectively use the full range of postal services. Good mail service continues to be one of the most important morale factors in the armed forces, and any reduction in service would have a detrimental effect.

Military mail service is an extension of the U.S. Postal Service and therefore is subject to the policy of Congress, as stated in Section 101 of the Postal Reorganization Act that "the United States Postal Service shall be operated as a basic and fundamental service provided to the people by the Government of the United States . . ." It is also the stated policy of Congress that the Postal Service be operated "efficiently and economically." There is a certain tension between these two concepts. If the military postal service were to operate with utmost economy all mail would move as surface cargo. There may be many other economies that could be made with respect to servicemen overseas. All such proposals, however, should be explored fully to assure that the morale and thus the military effectiveness of our armed forces does not deteriorate.

The United States General Accounting Office (GAO) made a survey of the transportation of mail-order catalogs through the military postal system and by a letter dated July 2, 1976, addressed to the Postmaster General, recommended that the Postal Service amend its regulations to exclude mail-order catalogs from the application of 39 U.S.C. § 3401(b)(1)(B). GAO concludes that the Postal Service did not violate the law in providing space-available mail (SAM) service for catalogs. GAO also concludes, from its interpretation of the legislative history of the section, that Congress did not anticipate that "commercial concerns would be entitled to use this service as a means to solicit business." The MOAA maintains that this view of SAM service for catalogs is altogether too narrow.

GAO appears to take the position that the mailing of catalogs to servicemen overseas serves solely to benefit the mailer. Catalogs are not sent to servicemen on an unsolicited basis. They are sent only upon request or to those who have made purchases from previously issued catalogs. Thus, catalogs are sent only to those servicemen who specifically want and use them. Overseas servicemen are not a "captive" market. Rather, their timely receipt of catalogs provides an educational and technical background for comparison shopping, and maintains their ability to make the best buying choice based on quality, style, assortment and price.

C conspicuously absent from the report is any discussion of the importance to the servicemen of prompt receipt of catalogs. Most mail order catalogs are time-dated publications and have a specified life. Although some catalogs cover a lengthy season, many do not—such as Christmas catalogs. The delays inherent in surface transportation overseas would make it difficult if not impossible for overseas personnel to "shop" the catalog, order, and receive, by mail, merchandise from U.S. locations. In the absence of SAM surface for Christmas catalogs, it would be impossible for servicemen to take advantage of the "shop early" discounts offered by some retailers.

An additional factor not considered by the GAO report is that catalogs provide a convenient means for military personnel to have Christmas, birthday and other gifts shipped directly from the catalog houses to their family and friends at home. As is stated in the legislative history quoted in the GAO report: "the emotions of one who is able to convey his feelings to his loved ones . . . cannot be measured by our inadequate standards."

A final important morale factor is that the mail order industry provides the serviceman newly assigned overseas a continuing line of credit which may be of utmost importance in making the adjustment to changed conditions. A failure to receive catalogs promptly would diminish the value of this benefit.

The Committee should also be aware that in the past year mail order companies have reduced their use of SAM for catalogs, particularly, the heavier catalogs which have a longer life. As a result, the potential \$500,000 savings reported by GAO has dwindled to possibly as little as \$50,000. Mail order companies will continue to cooperate with the Postal Service and the Department of Defense to eliminate unnecessary costs. It would not, however, be in the best interests of anyone to change the law or the interpretation of the law to exclude catalogs from SAM. Even in the domestic postal service there are areas to which mail of all classes is transported by air.

Despite this lessened use of SAM service by mailers and the decline in use that resulted from the end of the Vietnam conflict, catalogs continue to provide a means for overseas military personnel to buy American products conveniently,

and at a fair price. This opportunity should not be destroyed. Facilitating the ability of servicemen and their families to "buy American" also serves to reduce balance of payment problems.

MOAA appreciates the opportunity to submit this statement and urges the members of this subcommittee to consider all aspects of the subject carefully to insure that servicemen overseas are not denied full participation in mail order shopping.

H. BENTLEY HAHN,
Executive Vice President.

MAIL ORDER ASSOCIATION OF AMERICA,
Alexandria, Va., November 2, 1976.

Hon. CHARLES H. WILSON,
*Chairman, Subcommittee on Postal Facilities, Mail and Labor Management,
Committee on Post Office and Civil Service, U.S. House of Representatives,
Cannon House Office Building, Washington, D.C.*

DEAR CHAIRMAN WILSON: In response to the request of the staff of the subcommittee, we are supplementing the September 23, 1976 comments of the Mail Order Association of America (MOAA) on the use of space-available mail (SAM) for catalogs.

Members of the MOAA have approximately 250,000 APO customers (there may be some duplication, i.e., a given person may receive a catalog from more than one mail order company) entitled to space-available mail service. Annual sales to these customers by all MOAA members amount to approximately \$47 million.

Two MOAA members offer "order early" incentives for orders of \$50.00 or more during the Christmas season. The incentives consist of \$5.00 gift certificates or credit slips which may be used for subsequent purchases. In order to take advantage of the incentives, the orders must be placed by October 20, in the case of one company, and by October 13 and 20 for New York and San Francisco APO addresses respectively for the other company.

I trust that the above is responsive to the request of your staff. If there are additional questions, please let me know.

Sincerely yours,

BENTLEY HAHN.

AUGUST 27, 1976.

Re mail delivery to servicemen.

Mrs. SHIRLEY PETTIS,
U.S. Representative.

DEAR Mrs. PETTIS, will you try and have the Postal Service looked into for the Servicemen?

On July 25, 1976 the Los Angeles Times, mailed a Sunday edition to our son on the USS Ponce, S-3 Division, FPO New York, NY, 09501 (LPD-15) which we subscribed to for him and of this date he has not received it. I have checked with the Los Angeles Times in Los Angeles and they have done their part. Why can't the FPO do their part?

On the 28th of July I mailed a package to him and that hasn't been received yet. In fact all three packages mailed to him from July 1st and the 1st week of August haven't been received yet. Something has to be done so our Servicemen will get their packages.

We mailed another package on August 16, 1976 for his Birthday and I don't suppose this will even reach him in time. We mailed it over 2 weeks ahead of time so he would be sure to have it for his Birthday but you can't depend on the Mail Service on anything. If a private industry would run a business like the Post Office the government wouldn't get any tax money.

Personally I think there is too much Top Brass. They need people who know the business inside and out not Dead Heads.

Our Taxes keep going up and we have to pay them. But that's alright let the Servicemen Suffer with no Mail.

Enclosed is an article which appeared in the August 30th Navy Times. Lets get some action on the Mail. That is the only contact between families of Servicemen and they depend on us, is that too little to ask? ? ?

We will be awaiting a reply from you regarding this urgent matter.

Respectfully,

Mr. and Mrs. EARL C. PARKER.

SEPTEMBER 14, 1976.

CHIEF POSTAL INSPECTOR,
 Attention: *Military Liaison*,
 Washington, D.C.:

1. A member of my staff recently concluded a visit to Seattle and Anchorage to determine the cause of the many complaints of delayed mail to Alaska APOs. We understand and accept that service standards must be adjusted in consideration of the problem areas peculiar to Alaska. We also believe that the nature of a remote assignment to Alaska is such as to warrant the best mail service that our collective efforts can provide. With this objective in mind we offer the following information.

2. The most recent transit time analysis conducted by Air Force postal personnel in Alaska revealed that transit times exceeded 20 days for 42% of the 4th class parcels; 49% of the Space Available Mail; and, 28% of the PAL. It also revealed that transit times exceeded 31 days for 11% of the total parcel mail to remote site personnel. The morale impact of these excessive transit times is obvious and we ask your assistance in evaluating the feasibility of the following actions:

(a) Process all Alaska APO parcel mail at the Seattle Bulk Mail Center (BMC). Currently, APO parcels are diverted to the Postal Concentration Center (PCC) for sorting and sacking, then trucked back to the BMC for truck dispatch. The additional handling associated with trucking this mail to the PCC and back to the BMC creates a potential for additional, unnecessary delay.

(b) Improve the performance of the trucking firm currently responsible for mail movement over the Alcan Highway. Examination of data offered by personnel of the BMC and the ensuing discussions revealed that running times frequently exceeded 96 hours. Some trips took 120, 140, 160 and even took 186 hours.

(c) The commercial carriers serving Alaska are presently airlifting only about 10,000 pounds of inbound SAM/PAL each month because of limited space. We would appreciate your analysis of the feasibility of using that space only for SAM/PAL to the more remote APOs. This would accelerate the movement of eligible parcel mail to remote forces by providing airlift service from Seattle to destination APO. If feasible, we will provide a listing of APOs to be included.

(d) Begin dating slide-labels for all mail dispatched to remote sites from Anchorage, Fairbanks, and Seattle. Currently, only priority mail labels are dated. This will permit our activities at remote locations to more closely monitor the performance by serving carriers, isolate problem areas and offer full supporting documentation to local USPS officials for appropriate action.

(e) Initiate action to insure that parcel mail accepted at our Alaska APOs is properly identified as SAM and receives airlift service as prescribed by PL 92-469. Currently, mail accepted at Alaska APOs is frequently mixed with civil mail and is returned to CONUS by surface means.

(f) Initiate any action possible to reduce the incidence of misdirected mail to Alaska APOs. With the limited airlift service to remote sites any misdirected mail is subject to substantial delay. Waiting two or three days for the mail plane only to receive mail addressed to another APO has an obvious impact upon the morale of the personnel assigned to these remote locations and this problem deserves our close attention. Attachment 1 is a representative sampling of the problems encountered.

3. We ask your full support in developing a program that will provide the very best service possible for US Forces stationed at remote Alaska locations. The services of my staff and that of the Alaska Air Command are available and will provide any assistance you require. I am confident that our collective efforts produce an acceptable level of service.

4. Please accept my sincere appreciation for the many courtesies extended by local USPS personnel. Of particular note were the dedication, cooperation, and spirit of team work displayed by Mr. Kenneth N. Hallam of the Seattle District Office; Mr. Joseph Nollmeyer of AMF, Seattle and Mr. Pete Razo of the USPS Annex, Anchorage. Their cooperation has helped us all to better understand the problems that you routinely face in providing mail service to US forces in Alaska.

JAMES J. SHEPARD,

Colonel, U.S. Air Force, Director of Administration.

