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HEARINGS
BEFORE THE
COMMITTEE ON
OFFICE AND CIVIL SERVICE
UNITED STATES SENATE
NINETY-FOURTH CONGRESS

SECOND SESSION

ON

S. 2844

TO AMEND TITLE 39, UNITED STATES CODE, WITH RESPECT
TO THE ORGANIZATIONAL AND FINANCIAL MATTERS OF THE
UNITED STATES POSTAL SERVICE AND THE POSTAL RATE
COMMISSION, AND FOR OTHER PURPOSES

PART 1

JANUARY 27 AND 28, 1976

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



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(III)

REPORT

Submitted to the Board of Directors of the
Company for their consideration and approval.

Prepared by the Management of the Company.

The following is a summary of the results of the operations of the Company during the year ended December 31, 1921.

The Company has achieved a record of successful operations during the year, and the results of its operations are summarized in the following table:

Item	1921	1920
Assets	\$1,000,000	\$800,000
Liabilities	\$200,000	\$150,000
Equity	\$800,000	\$650,000

The above table shows that the Company's assets have increased by \$200,000, and its liabilities have decreased by \$50,000, resulting in an increase in equity of \$250,000.

The increase in equity is due to the Company's successful operations during the year, and the results of its operations are summarized in the following table:

Item	1921	1920
Revenue	\$1,200,000	\$1,000,000
Expenses	\$800,000	\$700,000
Profit	\$400,000	\$300,000

The above table shows that the Company's revenue has increased by \$200,000, and its expenses have decreased by \$100,000, resulting in an increase in profit of \$100,000.

The increase in profit is due to the Company's successful operations during the year, and the results of its operations are summarized in the following table:

POSTAL REORGANIZATION

TUESDAY, JANUARY 27, 1976

U.S. SENATE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m. in room 6202, Dirksen Senate Office Building, Hon. Gale W. McGee (chairman of the committee) presiding.

Also present: Senators Randolph, Burdick, Stevens, and Bellmon.

OPENING STATEMENT OF CHAIRMAN MCGEE

The CHAIRMAN. The hearings of the Post Office and Civil Service Committee of the Senate will come to order.

The hearings are convened for the purpose of reexamining the problems of the Postal Service.

Because of the Postal Reorganization Act, the relationships, both in the conduct of the Postal Service and in its responsibilities to the Executive and/or to the Congress, are substantially different from in the past. However, the Congress has maintained the responsibility for oversight and review.

I think it would be fair to say that there is no more popular a whipping boy in our country today than the Postal Service. Whenever someone runs out of things to be mad about, there is sort of a national pastime of blaming it on the Postal Service.

Now, the Postal Service has almost always been this way. It was that way when I became identified with the Postal Service under the old system under this committee. And the headaches we had then were almost the same as the headaches that are portrayed to us at the present time. There has been no substantial change.

What has changed has been the frustration of expectations on the part of many people who thought a magic wand had been waved and that they were going to get everything free, that there would be no responsibility to pay a fair rate for services, or to pay for obligations, or for balancing off the consequences of a postal service that has mushroomed into a much larger operation.

The problem, at least from my point of view up here on the Hill, is the one concerning the conflict of priorities in postal financing who pays how much for what.

We must set aside the assumption that somehow a lot of postal costs will be paid for by stuff that drops from trees in some mysterious wonderland.

There are only three sources of money for the Postal Service—only three. You make it from rates, you make it from reduced services or

you make it from the public treasury. Now, obviously, you don't make it all from any one of those.

The reason we are assembled here is to try to arrive at a balance of responsibility and a measuring of the equities at stake.

For example, of the more than 30,000 post offices in this land, three-fourths of them could never, in God's Earth, carry on a profitable enterprise in a given year. And the reason for it is that their total volume of business, given the basic built-in requirements from capital investment, would never match the outgo.

And that's the first problem we have to contend with. There is a basic concept of a postal service in this country, one which, I dare say, is still retained by the Congress. That is that you should not be penalized in second-rate postal service because of where you live in the cities and villages of this very widely scattered country.

And, yet, most of the low-population areas, nearly all of the medium-sized city areas find it very difficult to have a paying operation.

And somehow, the magic of the suggestion that we ought to balance the postal budget is everybody's quick solution to the problem. And that is a great solution for anybody running for office, be he in the White House or in the Congress. There seems to be no difference at the two levels.

But the real point is that you are going to balance the post office budget only by making conscious and, we hope, responsible judgments.

We have those services that the post office provides that have traditionally been subsidized by the taxpayer—magazines, newspapers, records, and books. Then we have also what we often hear called "junk mail."

And the quickest solution I get out in the hustings is, "Just cut out junk mail," because most of them don't realize that of all the groups paying into the Postal Service, except for first class, advertising mail comes closest to paying its own way. And it is embarrassing to wipe them out when they are one of the better customers, from the fiscal side, of the postal operations.

So, I thought we would lay on the record here as we start that we are going in with our eyes open with no fixations, except one: We do believe here—at least the chairman believes, and I am sure that view is shared by some of my colleagues—that the post office should be national and that it should be a "national monopoly," in effect, because of the basic underpinning of its concept; and that is the equality and universality of postal service as a tie that helps to hold this very diverse and widely scattered Nation of ours together.

And given that basic concept, starting from there requires that we sort out how we pay, for what we pay, and in what dimensions we pay to keep the Postal Service serving in the public interest, the national interest and all of the interests that depend upon it for their operations.

The CHAIRMAN. Senator Fong was not able to be here at this time this morning. The Senator from South Carolina, Mr. Hollings, has asked that a statement that he is preparing be made a part of the record at this point.

[Prepared statement of Senators McGee and Hollings follow, along with S. 2844 with an agency view:]

OPENING STATEMENT BY SENATOR MCGEE

Hearing -- January 27, 1976

These hearings are convened so that the Committee may hear testimony on S. 2844, a bill which I have sponsored to authorize increases in public-service payments to the Postal Service; and to allow the Committee to hear the views of experts on ways to overcome the deficit which the Postal Service has accumulated.

Today we will be hearing from the Postmaster General and his top staff. Tomorrow, the Chairman of the Postal Rate Commission will testify, as well as an officer of the General Accounting Office who specializes in postal affairs.

Subsequently, we expect to hear the testimony of the Director of the Office of Management and Budget; and then in late February or early March the hearings will be resumed and testimony will be taken from individuals and groups who wish to appear.

The Postmaster General has stated that there are serious questions about the adequacy of the public-service allowance now authorized by law -- currently \$920 million per year. Such serious questions do indeed exist -- questions to which S. 2844 addresses itself. That bill provides for a two-year study by a qualified Commission which will report to Congress.

Page 2

But the most urgent issue requires earlier action. The Postal Service deficit is growing each year. By the end of Fiscal Year 1976 it will amount to \$3 billion; by the end of Fiscal Year 1977, \$4 billion. Something must be done soon to augment Postal Service revenues. Rate increases have already been imposed far too frequently. The kind of service cuts that would have a significant impact upon the deficit will not be tolerated.

Accordingly, I have taken action through S. 2844 to seek authorization for increases in the public-service allowance for Fiscal years 1977, 1978, and 1979. The amount authorized is 10 percent of the budget for each Fiscal Year or about \$1.5 billion a year. It is my belief that S. 2844 allows us to face the issue squarely -- that its enactment would go a long way toward restoring fiscal stability to the Postal Service, that it would allow the Postal Service, with some hope for success, to resume its efforts to achieve self-sufficiency.

There are two other means of dealing with the postal problem which I find unacceptable. The first of these would have us repeal the Private Express Statutes, allowing private companies to compete with the Postal Service in the delivery of first-class letter mail. This would signal the end of the Postal Service as a national institution, for the private firms would take over the profitable delivery areas, leaving delivery to remote and rural areas to the Postal Service. We

Page 3

need a universal postal service, not one fragmented and struggling for survival.

The second proposal would have the Congress "take back" the Postal Service, turn back the clock to the pre-1970 days. I reject this suggestion because I believe that we can and must proceed from where we are, guided and controlled by the basic premises of the Postal Reorganization Act.

I welcome Ben Bailer here today as our first witness. Ben, will you please be seated at the witness table.

PREPARED STATEMENT BY SENATOR HOLLINGS

Mr. Chairman: Upon returning to the reconvening of Congress last week, I received your draft Postal Service bill and the announcement of this hearing. Due to your short notice and my prior commitments, I am not able to be with you this morning. I regret that I am not able to make these introductory comments in person and would appreciate their insertion in the hearing record.

I am pleased to know that this committee is now beginning to look at Postal Service problems. As you know, I have always felt slightly delict in my duties as Chairman of the Postal Operations Subcommittee because of the lack of oversight hearings. We had only commenced hearings some two years ago when the Committee turned from public hearings to a series of luncheon meetings with Postmaster General Klassen. From then on, we, more or less, took his word for it. Now the problems have grown categorically.

The Postal Service is in dire financial straits. They show a net loss since Postal Reorganization with a record loss of \$989 million in 1975 and projected losses of \$1.4 billion for 1976. In the meantime, management continues to borrow to cover these operating deficits and there is no strategy for retirement of the debt. Essentially, the major cost cutting that the Postal Service has managed has been the expense of service.

Also, the rate-making apparatus (we created in Postal Reorganization) has not proven adequate. The ratemaking process took seventeen months to approve the 8-cent stamp, and it took twenty-three months to approve the 10-cent stamp! And now we have a temporary rate of 13-cents which shows that the first two increases have not eased the problem. Yes, the public is paying more for less service.

Mr. Chairman, the Congress and the public have been calling upon us to act. There are a myriad of bills pending before our Committee. Members of Congress have received no less than 34,000 constituent complaints within the last year. The consumer advocate at the Postal Service has received nearly this number. After more than a year's work, the House Committee reported a bill. A bitter floor fight saw its final passage.

Mr. Chairman, I have asked time and again for a hearing on my comprehensive bill, which I introduced last February, to reorganize the Service and have only abided by your decision to withhold until the House acted. Now the House has acted and, as you indicate, you have submitted a bill for an increased subsidy and the formation of a study commission.

I am pleased to see that the Committee is now moving forward, but to increase the subsidy without a thorough examination of the Postal Service's many related problems is to me simply a buy-away of those problems we must work to better understand and solve. Before we appropriate, the Committee must have a better feel for the inefficiencies and delays that have now reached the point of public uproar. As you may already know, a consumer organization is seeking a publicly subsidized citizens lobby to look after individual mailer's rights. Postmasters and Supervisors find the situation so intollerable that they have, or will soon have, filed suit against the Postal Service. Thirteen states have joined together to sue the Postal Service. And, as I indicated earlier, we hear daily from literally thousands of mail users who don't know where else to turn.

Accordingly, I am deeply concerned over the course of action you suggest. Rather than single out the public service subsidy, I believe the approach should be to hold general oversight hearings so that we can work together with the whole Postal Service constituency to develop workable solutions to the myriad of Postal problems. A realistic oversight agenda must include:

- (1) An examination of the present and future needs of the Postal Service.
- (2) An examination of the Nation's ever-changing needs for mail service. What are the prospects of electronic transfers, private messenger and parcel delivery?
- (3) An examination of the Public Service subsidy. Are government appropriations intended to cover the costs of rural mail delivery which is a money losing proposition, or are they intended to promote the dissemination or information for the public good?
- (4) An examination of the rate-making apparatus which was created by the Postal Reorganization Act.
- (5) An examination or re-evaluation of some of the major assumptions and mandates, such as "break even", which were mandated by the Postal Reorganization Act.

(6) An examination of the quality of service provided to patrons of our mail service.

(7) An examination of public confidence in the Postal Service. This, of course, must include government agencies and businesses where there is evidence that confidence is eroding at an accelerated pace.

(8) Examinations of additional pertinent issues as determined by the Committees' professional staff, the Postal Service, and interested mail users.

Mr. Chairman, only after an indepth review, can the Committee best determine whether to move singularly or conjunctively on subsidy, or reorganization, or other appropriate reforms.

94TH CONGRESS
2D SESSION

S. 2844

IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1976

Mr. BURDICK for Mr. McGEE introduced the following bill; which was read twice and referred to the Committee on Post Office and Civil Service

A BILL

To amend title 39, United States Code, with respect to the organizational and financial matters of the United States Postal Service and the Postal Rate Commission, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Postal Reorganization
4 Act Amendments of 1976".

5 SEC. 2. (a) Section 2401 (b) of title 39, United States
6 Code, is amended by striking out paragraph (3).

7 (b) Section 2401 of title 39, United States Code, is
8 amended by adding at the end thereof the following new
9 subsections:

1 “(d) There is authorized to be appropriated to the
2 Postal Service for each of the fiscal years ending September
3 30, 1977, 1978, and 1979, an amount not exceeding 10
4 percent of the total estimated operating expenses of the
5 Postal Service for the fiscal year for which such appro-
6 priations are requested. In requesting appropriations under
7 this subsection, or under subsection (b) of this section, the
8 Postal Service shall present to the appropriate committees
9 of the Congress a comprehensive and detailed statement
10 relating to the following matters:

11 “(1) the plans, policies, and procedures of the Postal
12 Service designed to comply with all of the provisions of
13 section 101 of this title;

14 “(2) the operations of the Postal Service, including
15 the use of revenues, appropriations, and amounts bor-
16 rowed under chapter 20 of this title, for all purposes for
17 the most recent fiscal year for which such information is
18 available, and for the fiscal year for which funds are
19 requested to be appropriated;

20 “(3) estimates as to the revenue requirements of
21 the Postal Service for the fiscal year for which funds are
22 requested to be appropriated, and the means by which
23 the total estimated costs of the Postal Service shall be
24 financed; and

1 “(4) such other matters as the committees may
2 determine to insure that the Congress is fully and cur-
3 rently consulted and informed on postal operations, plans,
4 and policies.

5 “(e) (1) Except as provided in paragraph (2), the
6 Postal Service shall provide door delivery or curblin-
7 e delivery to all permanent residential addresses (other than
8 apartment building addresses) during any fiscal year for
9 which the Congress has appropriated all of the funds au-
10 thorized to be appropriated under subsection (b) or sub-
11 section (d) of this section. The Postal Service shall provide
12 door delivery in any case in which the unit of general local
13 government having jurisdiction over the address involved
14 has adopted zoning ordinances in the interest of protecting
15 the public safety which prohibit the construction or main-
16 tenance of any structure on the property adjacent to the
17 curbline.

18 “(2) In lieu of the delivery service required under para-
19 graph (1) the Postal Service may provide cluster box
20 delivery service for any permanent residential address in
21 any case in which a unit of general local government having
22 jurisdiction over such address specifically approves the pro-
23 vision of such cluster box delivery service.

24 “(3) The failure of the President to request the appro-
25 priation of any of the funds authorized by this section may

1 not be deemed a failure of appropriations, and shall not
2 relieve the Postal Service of the requirement to provide the
3 delivery service required under paragraphs (1) and (2)
4 of this subsection.

5 “(f) The rates and fees established under chapter 36 of
6 this title for zone-rated mail matter formerly entered under
7 former chapter 67 of this title shall not be more than 10
8 percent less than the rates and fees for such mail matter
9 would be if the funds authorized under this section were
10 not appropriated.”.

11 SEC. 3. (a) Section 3601 of title 39, United States
12 Code, is amended to read as follows:

13 **“§ 3601. Establishment**

14 “(a) The Postal Rate Commission is an independent
15 establishment of the executive branch of the Government of
16 the United States. The Commission is composed of 5 Com-
17 missioners, appointed by the President, by and with the
18 advice and consent of the Senate. The Commissioners shall
19 be chosen on the basis of their professional qualifications and
20 may be removed by the President only for cause. Not more
21 than 3 of the Commissioners may be adherents of the same
22 political party.

23 “(b) A Commissioner may continue to serve after the
24 expiration of his term until his successor has qualified, except
25 that such Commissioner may not so continue to serve for

1 more than 1 year after the date upon which his term other-
2 wise would expire under section 3602 of this title.

3 “(c) One of the Commissioners shall be designated as
4 Chairman by, and shall serve in the position of Chairman at
5 the pleasure of, the President.

6 “(d) The Commissioners shall by majority vote design-
7 nate a Vice Chairman of the Commission. The Vice Chair-
8 man shall act as Chairman of the Commission in the ab-
9 sence of the Chairman.”.

10 (b) The provisions of section 3601 (a) of title 39,
11 United States Code, as amended by subsection (a), shall
12 not apply with respect to any Commissioner of the Postal
13 Rate Commission holding office on the date of the enact-
14 ment of this Act, except that such provisions shall apply to
15 any appointment of such a Commissioner occurring after the
16 date of the enactment of this Act.

17 SEC. 4. Section 3604 of title 39, United States Code,
18 is amended to read as follows:

19 “§ 3604. Administration.

20 “(a) The Chairman of the Postal Rate Commission
21 shall be the principal executive officer of the Commission.
22 The Chairman shall exercise or direct the exercise of all the
23 executive and administrative functions of the Commission,
24 including functions of the Commission with respect to (1)
25 the appointment and supervision of personnel employed

1 under the Commission, (2) the distribution of business
2 among such personnel, and among the Commissioners, and
3 (3) the use and expenditure of funds.

4 “(b) In carrying out any of his functions under this
5 section, the Chairman shall be governed by the general
6 policies of the Commission.

7 “(c) The Chairman may obtain such facilities and sup-
8 plies as may be necessary to permit the Commission to carry
9 out its functions. Any officer or employee appointed under
10 this section shall be paid at rates of compensation, subject to
11 chapter 51 and subchapter III of chapter 53 of title 5 (relat-
12 ing to classification and General Schedule pay rates), and
13 shall be entitled to programs offering employee benefits,
14 established under chapter 10 or chapter 12 of this title, as
15 appropriate.

16 “(d) The Commission shall periodically prepare a
17 budget of the Commission’s expenses, including but not
18 limited to expenses for facilities, supplies, compensation, and
19 employee benefits. The Commission shall transmit a copy of
20 the budget to the Postal Service. Expenses incurred under the
21 budget prepared by the Commission under this subsection
22 shall be paid out of the Postal Service Fund established under
23 section 2003 of this title.

24 “(e) The provisions of section 410 and chapter 10 of
25 this title shall apply to the Commission, as appropriate.”

1 SEC. 5. (a) Section 3624 of title 39, United States
2 Code, is amended by redesignating subsection (c) as sub-
3 section (d) and by inserting immediately after subsection
4 (b) the following new subsection:

5 “(c) (1) Except as provided by paragraph (2) of this
6 subsection, in any case in which the Postal Service makes a
7 request under section 3622 of this title for a recommended
8 decision by the Commission on changes in a rate or rates of
9 postage or in a fee or fees for postal services, or a request
10 under section 3623 (b) of this title for a recommended deci-
11 sion by the Commission on changes in the mail classification
12 schedule, the Commission shall transmit its recommended
13 decision to the Governors under subsection (d) of this sec-
14 tion no later than 10 months after receiving any such request
15 from the Postal Service.

16 “(2) In any case in which the Commission determines
17 that the Postal Service has unreasonably delayed considera-
18 tion of a request made by the Postal Service under section
19 3622 or section 3623 (b) by failing to respond within a
20 reasonable time to any lawful order of the Commission, the
21 Commission may extend the 10-month period described in
22 paragraph (1) of this subsection by one day for each day
23 of such delay.”.

24 (b) The amendment made by subsection (a) shall not
25 apply to any action or proceeding with respect to (1) the

1 recommended decision of the Postal Rate Commission relat-
2 ing to proposed changes in rates of postage, and in fees for
3 postal services, requested on September 18, 1975, by the
4 United States Postal Service in a request bearing Postal Rate
5 Commission Docket Number R76-1; or (2) the recom-
6 mended decision of the Commission relating to the proposed
7 establishment of a mail classification schedule made on Jan-
8 uary 18, 1973, by the Postal Service in a request bearing
9 Postal Rate Commission Docket Numbered MC73-1.

10 SEC. 6. (a) Section 3641 of title 39, United States
11 Code, is amended to read as follows:

12 **"§ 3641. Temporary changes in rates and classes.**

13 " (a) In any case in which the Postal Rate Commission
14 fails to transmit a recommended decision on a change in rates
15 of postage or in fees for postal services, or on a change in the
16 mail classification schedule, to the Governors in accordance
17 with section 3624 (c) of this title, the Postal Service may
18 establish temporary changes in rates of postage, in fees for
19 postal services, or in the mail classification schedule, in ac-
20 cordance with the provisions of this section. Such temporary
21 changes may take effect upon such date as the Postal Service
22 may determine, except that such temporary changes may
23 take effect only after 10 days' notice in the Federal Register.

24 " (b) Any temporary rate or fee established by the Postal
25 Service under subsection (a) of this section shall be in

1 accordance with the policies of this title and shall not exceed
2 such amount as may be necessary for sufficient revenues to
3 assure that the total estimated income, including appropria-
4 tions, of the Postal Service shall, to the extent practicable, be
5 equal to the total estimated costs of the Postal Service.

6 “(c) The Postal Service may not establish any tempo-
7 rary rate for a class of mail or any temporary fee for a postal
8 service which is more than the permanent rate or fee re-
9 quested for such class or postal service by the Postal Service
10 under section 3622 of this title.

11 “(d) Any temporary change in rates of postage, in fees
12 for postal services, or in the mail classification schedule made
13 by the Postal Service under this section shall remain in effect
14 no longer than 150 days after the date upon which the Com-
15 mission transmits its recommended decision to the Governors
16 under section 3624 (d) of this title, unless such temporary
17 change is terminated by the Governors before the expiration
18 of such period.”.

19 (b) (1) The amendment made by subsection (a) of this
20 section shall not apply to any action or proceeding with
21 respect to (A) the recommended decision of the Postal Rate
22 Commission relating to proposed changes in rates of postage,
23 and in fees for postal services, requested on September 18,
24 1975, by the United States Postal Service in a request bear-

1 ing Postal Rate Commission Docket Number R76-1; or (B)
2 the recommended decision of the Commission relating to the
3 proposed establishment of a mail classification schedule re-
4 quested on January 18, 1973, by the Postal Service in a
5 request bearing Postal Rate Commission Docket Number
6 MC73-1.

7 (2) The provisions of section 3641 of title 39, United
8 States Code, as such provisions were in effect on the day
9 before the date of the enactment of this Act, shall apply
10 to any temporary rate or fee established by the Postal
11 Service pursuant to its request to the Postal Rate Com-
12 mission, dated September 18, 1975, for a recommended
13 decision, bearing Docket Number R76-1.

14 SEC. 7. (a) (1) There is hereby established the Com-
15 mission on Postal Service (hereinafter in this section referred
16 to as the "Commission"). The Commission shall be composed
17 of 5 members, to be selected as follows:

18 (A) 2 appointed by the President of the United
19 States, of whom one shall be appointed as Chairman;

20 (B) 1 appointed by the President pro tempore of
21 the Senate;

22 (C) 1 appointed by the Speaker of the House of
23 Representatives; and

24 (D) 1 appointed by the Postmaster General.

1 (2) The members of the Commission shall be appointed
2 within 30 days following the date of the enactment of this
3 Act.

4 (3) Any vacancy in the Commission shall not affect its
5 powers, but shall be filled in the same manner as original
6 appointment.

7 (b) (1) The Commission shall identify and study the
8 public service functions of the United States Postal Service
9 and shall recommend to what extent and by what means such
10 function may be defined and costs thereof reasonably esti-
11 mated. The Commission shall also identify, insofar as prac-
12 ticable, any difference between—

13 (A) the costs that the Postal Service should reason-
14 ably be expected to incur in providing postal services in
15 accordance with the policies of title 39, United States
16 Code; and

17 (B) the revenues that the Postal Service may rea-
18 sonably be expected to receive from rates and fees for
19 postal services, with due consideration that demands for
20 postal services may be reflected by changes in the levels
21 of such rates and fees.

22 (2) The Commission shall determine the extent to
23 which the public service functions of the Postal Service shall
24 be supported by appropriations. The Commission shall rec-
25 ommend such a plan with due consideration being given to—

1 (A) the economic and social benefits of the postal
2 system to the user and recipient of the mail;

3 (B) the relative economic ability of the users of
4 various classes of mail to absorb the costs of the postal
5 system;

6 (C) the costs of maintaining a system which would
7 provide a reasonable degree of regular postal services to
8 the entire public, and the degree to which such costs
9 should be borne by the public generally rather than
10 by mail users in particular; and

11 (D) the need of the Postal Service for adequate and
12 dependable funding and for systematic planning and
13 ratemaking to provide efficient and economical postal
14 services in accordance with the policies of title 39,
15 United States Code.

16 (c) (1) For purposes of carrying out its functions
17 under this section, the Commission may sit and act at such
18 times and places and receive such evidence and testimony
19 as it considers advisable.

20 (2) The Commission may secure directly from any de-
21 partment or agency of the United States information and
22 assistance necessary to carry out its duties under this section.
23 Each department or agency is authorized and directed, to the
24 extent permitted by law and within the limits of available

1 funds, to furnish information and assistance to the Com-
2 mission.

3 (3) When so authorized by the Commission, any mem-
4 ber or agent of the Commission may take any action which
5 the Commission is authorized to take by this section.

6 (4) All meetings, hearings, conferences, or other pro-
7 ceedings of the Commission shall be open to the chairmen
8 of the appropriate committees of the Congress or their
9 designees and reasonable notice of such meetings or hear-
10 ings shall be given to such chairmen or their designees.

11 (d) (1) Except as provided in paragraph (2), mem-
12 bers of the Commission each shall receive as compensation
13 the daily equivalent of the annual rate of basic pay in effect
14 for grade GS-18 for each day (including traveltime) during
15 which they are engaged in the actual performance of duties
16 vested in the Commission.

17 (2) Members of the Commission who are full-time
18 officers or employees of the United States shall receive no
19 additional pay on account of their service on the Commis-
20 sion.

21 (3) While away from their homes or regular places of
22 business in the performance of service for the Commission,
23 members of the Commission shall be allowed travel expenses,
24 including per diem in lieu of subsistence, in the same manner

1 as persons employed intermittently in the Government
2 service are allowed expenses under section 5703 (b) of
3 title 5, United States Code.

4 (e) The Commission may appoint and fix the compen-
5 sation of such personnel as it considers advisable without
6 regard to the provisions of title 5, United States Code, gov-
7 erning appointments in the competitive service, and such
8 personnel may be paid without regard to the provisions of
9 chapter 51 and subchapter III of chapter 53 of such title
10 relating to classification and General Schedule pay rates,
11 but at a rate not to exceed the maximum rate authorized by
12 the General Schedule. The Commission may procure the
13 services of experts and consultants in accordance with sec-
14 tion 3109 of title 5, United States Code, but at rates for
15 individuals not to exceed the daily equivalent of the annual
16 rate of basic pay in effect for the maximum rate authorized
17 by the General Schedule.

18 (f) (1) The Commission shall transmit to the President
19 and to each House of the Congress an interim report and a
20 final report containing a detailed statement of its findings
21 and recommendations, together with any individual views,
22 within 2 years after the date of the enactment of this Act.

23 (2) The Commission shall not be required to obtain

1 the clearance of any Federal agency before the transmittal
2 of its report.

3 (g) The Commission shall cease to exist 60 days after
4 the transmission of its report under subsection (f) and all
5 offices and employment under it shall then expire.

6 (h) There is authorized to be appropriated to the Postal
7 Service Fund established under section 2003 of title 39,
8 United States Code, without fiscal year limitation, such
9 sums as may be necessary to carry out the provisions of
10 this section. Expenses incurred by the Commission shall be
11 paid out of the Postal Service Fund.



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-164786

February 18, 1976

The Honorable Gale W. McGee
Chairman, Committee on Post Office
and Civil Service
United States Senate

Dear Mr. Chairman:

Reference is made to your request for our comments on S. 2844, 94th Congress, which, if enacted, would be cited as the "Postal Reorganization Act Amendments of 1976." The bill would amend title 39, United States Code, with respect to organizational and financial matters of the United States Postal Service and the Postal Rate Commission.

Subsection 2(b) of the bill would add a subsection (d) to 39 U.S.C. § 2401 (1970), and thereby authorize a short-term subsidy (3 years) to the Postal Service in an amount not exceeding 10 percent of the total estimated operating expenses of the Service for each of the 3 fiscal years. In addition, of particular interest, section 7 of the bill would establish a Commission on Postal Service which, during 2 years of this authorized subsidy period, is directed to identify and study the public service aspects of postal operations with a view to determining what portion of the Service's expenses should be supported by appropriations. We have endorsed this study and approach in a statement of Mr. William J. Anderson, Deputy Director of our General Government Division, filed with your Committee on January 28, 1976, in connection with hearings on S. 2844. A copy of Mr. Anderson's statement is enclosed for your ready reference.

Revised 39 U.S.C. § 3604(d), as provided in section 4 of the bill, prescribes that the Postal Rate Commission prepare a budget of its expenses and transmit a copy to the Postal Service. Expenses incurred by the Commission under that budget are to be paid out of the Postal Service Fund. Any reviewing authority of the Postal Service over the budget is eliminated. Instead, the Committee may wish to consider making the Postal Rate Commission subject to the provisions of the Budget and Accounting Act, 1921, 31 U.S.C. § 1 et seq. (1970), relating to the preparation and presentation of budgets, and the provisions of any other Federal law relating to the preparation and presentation of budgets.

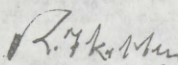
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39 U.S.C. § 3624(c)(1), as added by subsection 5(a) of the bill, provides that the Postal Rate Commission shall transmit its recommended decision to the Governors of the Postal Service no later than 10 months after receiving any request from the Postal Service for a change in a rate or rates of postage or in a fee or fees for postal services. In conjunction with that, revised 39 U.S.C. § 3641(a), as provided in subsection 6(a) of the bill, only authorizes the Postal Service to establish temporary changes in rates of postage or in fees for postal services if the Postal Rate Commission fails to transmit a recommended decision within the prescribed time of 10 months. This requirement could result in the Postal Service being caught in a squeeze between increasing costs and fixed rates, requiring borrowing. We believe consideration should be given to allowing the Postal Service the flexibility to impose temporary rates 90 days after requesting a decision from the Postal Rate Commission, as is the case now.

Finally, although the Comptroller General has explicit authority to audit the accounts and operations of the Postal Service (39 U.S.C. § 2008 (1970)), there is an absence of explicit authority to audit the Postal Rate Commission. In view of the Commission's exemption from Federal laws dealing with budgets or funds by virtue of 39 U.S.C. § 410(a) and 3604(d), there may be some question whether the audit authority of the Comptroller General extends to the Commission. The Committee may wish to clarify this question in the present bill. If such authority is explicitly granted, we would suggest the following language for the consideration of the Committee:

"The accounts and operations of the Postal Rate Commission shall be audited by the Comptroller General and reports thereon made to the Congress to the extent and at such times as he may determine."

Sincerely yours,


Deputy Comptroller General
of the United States

Enclosure

The CHAIRMAN. And, Quent, do you have any earthshaking caveat that you want to inject here?

Senator BURDICK. You have done the shaking so far.

The CHAIRMAN. Senator Stevens.

Senator STEVENS. I want to echo your comments with regard to the concern we have for the end-of-the-line consumer, such as in the remote areas of my State. The postage stamp rate concept has become a symbol of equality of rates throughout the country, and I certainly believe that should continue to be our goal as we maintain our constitutional duty.

And I am sure the Chairman will recall that, we have a constitutional duty to maintain post offices.

Those of us who assisted in putting you in the position you are in, Mr. Postmaster, certainly have no business joining those who are clamoring to become the hanging jury at your demise, because I think that reorganization has still got a time to go before we can say it has had a fair trial.

I look forward to these hearings to see if there is anything we can do to make certain you have the legal framework and the mechanisms to make that reorganization work, if it is at all possible.

The CHAIRMAN. Without further delay, we will turn to the man who is indeed on the spot, in the "hot seat," as it were, the Postmaster General of the United States, Mr. Ben Bailar.

General, you may proceed in any way you prefer, and we will listen with interest to what you have to say as you tell it like it is.

STATEMENT OF HON. BENJAMIN F. BAILAR, POSTMASTER GENERAL, U.S. POSTAL SERVICE

Mr. BAILAR. Thank you, Mr. Chairman.

I would like to start by introducing my colleagues, some of whom have not appeared before this committee before.

On my immediate right, Mr. William F. Bolger, the new Deputy Postmaster General. Beyond him, Mr. J. T. Ellington, Senior Assistant Postmaster General for Administration; on my left, Mr. Louis A. Cox, our General Counsel, and beyond him—

The CHAIRMAN. Mr. Cox is one of the founding fathers.

Mr. BAILAR. Right.

And Mr. Richard F. Gould, the Senior Assistant Postmaster General for Finance.

Mr. Chairman, we must all recognize that the economic, social, and political conditions in this country that have been exerting pressure on governmental units from our largest States and cities down through school boards, library administrations, municipal service units, and even certain private organizations, are likewise exerting major stress on the business of providing what is perhaps the most pervasive of all public services—the delivery of the mails.

We have been able to ameliorate our condition to some degree by increasing postal rates, and by achieving economies. However, the types of problems we have faced are not going to disappear. Inflation, rising costs, and decreasing volume are likely to be with us for the foreseeable future.

Unless increased public funding enables us in the near term to slacken the pace of rate increases, we may be caught in a vicious cycle

of rate increases to compensate for volume decreased brought on by rate increases.

The time has come for all concerned to take a hard look at the future of our Nation's mail system and to sort out postal needs from postal traditions, to protect the realistic costs of those needs, and to apportion these costs between the general public and users of the mail.

However, while we plan for the future, the Postal Service must receive the funds it needs to operate today. Unlike a piece of machinery, the Nation's mail system cannot be shut down for repair.

Accordingly, I suggest to you today—as I have suggested before—that any emergency legislation reported by this committee should have two basic components—the creation of a group to study issues related to postal services, costs, and funding, and the authorization of appropriations to assure adequate postal financing for the life of the study group.

Before I discuss in greater detail the money problems of the Postal Service, I want to put them in perspective by mentioning some of the things that have been going right.

CHRISTMAS MAIL

First on the list is the recent conclusion of perhaps the smoothest Christmas mailing season ever.

The CHAIRMAN. That is last Christmas season?

Mr. BAILAR. Yes, sir.

The CHAIRMAN. You know, this is Dullsville. Whenever everything goes right, it isn't news.

Mr. BAILAR. Well, it is not very dull to us. I will tell you, it took a lot of hard work.

The CHAIRMAN. It's the guts of an honest analysis of the postal system. I mentioned that in those terms because that is the problem we have: if you don't louse it up, you don't get your name in the paper.

Mr. BAILAR. Well, I am sure if we had loused it up, we would have had our names in the papers, Senator.

Levels of service during Christmas of 1975 were substantially higher than ever before. Moreover, although our preliminary data indicate that mail volume for the accounting period that includes Christmas was higher than in the previous year—probably due to a volume surge anticipating the post-Christmas rate increase—the increased volume was handled with 3.2 percent fewer work hours.

Second is the signing of a collective bargaining agreement in 1975 covering nearly 600,000 postal employees. The moderate provisions of this agreement, which provides for increases in base pay averaging about 4 percent per year over the next 3 years, plus reasonable cost-of-living adjustments, promise to establish a more stable basis for postal labor costs.

I also want to mention our steady progress toward many of the important goals of postal reorganization. The Postal Service is free of patronage, and postal decisions are made without partisan influence. Increased mechanization and efficiency enable us to move more mail with fewer people than before postal reform.

The working conditions, as well as the pay, of postal employees have been vastly improved. Finally, our performance record for the delivery of mail on time continues to improve.

The most recent national service index indicates that the mail for the most recent quarter that we have covered is the best it has been in the last 5 years.

Unfortunately, our financial situation has not been an equal source of pride. In fiscal 1974, we experienced a net loss of \$438 million. In fiscal 1975, our total income, including appropriations, fell \$989 million short of covering expenses.

Today, just past the halfway point of fiscal 1976, we have already added another \$1.1 billion to our deficit. In the months before the effective date of our new rates, our deficit had been growing at a rate of approximately \$200 million a month.

We expect the rate increase, now under the challenge in the courts, to enable us to cover our costs in the second half of fiscal year 1976. However, as we reported in the President's budget, we are projecting an estimated deficit of \$1.5 billion for this year. This includes an allowance of \$500 million for contingencies, about 4 percent of our operating costs, in accordance with title 39, United States Code, sections 2009 and 3621.

As a result of these losses at the end of this fiscal year, our accumulated deficit will total about \$3 billion. We have more than exhausted our equity. Our equity, which stood at \$1.7 billion at the start of fiscal year 1972, will sink to a negative \$1.3 billion at the end of the current fiscal year.

In practical terms, we may be forced to borrow before the end of the fiscal year to meet our payroll.

This grave financial situation concerns us, as it must concern you. What has happened to cause the problem?

One major factor has been a breakdown in the ratemaking process established under the Postal Reorganization Act. In September 1973, the Postal Service filed an application for a 10-cent first-class stamp. Had the rate been approved in a reasonable time, we would have been able to obtain a 13-cent first-class stamp when it was needed—in July 1975.

Instead, we were forced to wait for this essential increase until late December. Had we been able to obtain a 13-cent stamp last July, we would not have the better-than-a-billion-dollar deficit we have already accrued this year.

The economic pressures behind postal rate increases are clear to those knowledgeable in postal affairs. The increased cost of energy has hastened the rise of postal costs.

Our public service appropriation, fixed at \$920 million a year, has declined in real value. Total appropriations to the Postal Service for fiscal year 1975 came to about \$1.53 billion, which was less than 12 percent of the cost of running the postal system.

In contrast, for the last year of the old Post Office Department, fiscal year 1971, the Congress pumped almost \$2.2 billion into the postal system, which was over 24 percent of the cost of running the system.

And I might add here, Senator, that the projections for fiscal 1977 show that decreasing further to 9 and a fraction.

Moreover, the Postal Service incurs substantial liabilities of a kind not treated as costs by the Post Office Department or, for that matter, by other departments and agencies of the Government—liabilities

properly reflecting real and major costs of operations are reported in our accounts and in our financial statements.

For instance, we are now required by law to meet the civil service retirement fund's unfunded liability due to postal wage increases. Assuming recent wage trends continue, this item will reach nearly \$650 million a year by 1980, which means that the first-class postage rates will be nearly 1 cent higher just to reflect this item alone.

Again, sound accounting on an accrual basis required us to record a \$380 million liability as of the end of fiscal year 1975 for the payment of workmen's compensation that would not have been recorded as a liability under the Post Office Department's accounting system.

This liability arose from worker injuries incurred from fiscal year 1972 through fiscal year 1975, and represents the compensation for these injuries that will be paid out in future years.

Under the government accounting system, which uses a cash basis for accounting, the future expenses of current year obligations would be charged to future operations and imposed on future rate payers even though caused by current operations. Our accounting for this item is far more sound.

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

INTERNATIONAL PROBLEM

To put our problems in perspective, I should point out that we are not alone in this crisis. The postal systems of every major industrialized nation are facing problems similar to, and many worse than, our own.

We have all heard about postal chaos in Italy; of labor problems in Spain, where the government has drafted postal employees to keep the mails moving; and of the longest strike in Canadian postal history, whose national economic effects remain to be tallied.

Prices, too, have skyrocketed everywhere. In the United Kingdom, letter postage rates have climbed from the equivalent of 9 cents less than 2 years ago to 17 cents now, with a 21-cent rate expected later this year.

Customers in every industrialized nation except Switzerland and Canada pay much more to send a letter than people in the United States. In short, all the Western mail systems are facing rising costs.

The CHAIRMAN. Would that be comparable to our first-class rates?

Mr. BAILAR. Yes, it would be comparable to our first class.

Inflation has taken a heavy toll, especially over the past 2 years. And its impact is exacerbated by the new problem of declining mail volumes. Increasingly, individuals and business mailers alike are less inclined to carry the growing costs of the traditional postal system. Our customers are curtailing their use of the mail, or turning to alternate, less expensive means of communication.

And as rates go higher, public resistance grows firmer, and volume drops even more. It is a vicious circle.

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

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

I might add here, Senator, that I had a conversation with a Member of the House yesterday, who told me that during the recent recess he had been exposed to some advertisements and promotional material from a savings bank in his home town, where he can leave money on deposit, collect interest on his savings account, call them, identify himself and say, "I want to transfer this much money to my department store, this much to the gas company, this much to the water company . . .", and go right down the list, all for a charge of 10 cents.

It is less than the cost of postage. He eliminates the cost of the envelopes, service charges on his bank checks, and it is a lot easier.

He says after he gets all through, the clerk in the savings bank reads back the list to him and says, "Your new balance is such and such".

The CHAIRMAN. He is not using the mails in order to get what he used to get accomplished by mail.

Mr. BAILAR. Yes, sir.

Well, the bill would still go to him, but the transaction in which he pays the bill—

The CHAIRMAN. That is the most efficient part of the mail service that I have found, the bills that come to the house. They have no delay, no delay whatsoever.

Well, to make sure that the point you made is clear, when they cut back on the use of the mail system with these new techniques, whatever else is motivating them, what are your options to cut down your basic capital investment and commitments in order to roll with that type of decline in mail use?

Mr. BAILAR. Well, we have an opportunity to cut our costs, Senator, but not in an amount commensurate with the loss of revenue.

The CHAIRMAN. You are stuck with a fixed capital investment, aren't you?

Mr. BAILAR. Well, I hate to use the words "stuck with it", because we need it to handle the rest of the mail.

But the point is that the volume of mail over which the capital costs have to be spread has declined.

The CHAIRMAN. But if the mail drops 10 percent, the use of the mails drops 10 percent, you cannot cut back 10 percent on your capital investment?

Mr. BAILAR. No, sir, we cannot.

The CHAIRMAN. Has to be part of the problem, isn't it?

Mr. BAILAR. Yes.

I think the most easily understood example of this is the letter carrier who would have delivered those things still has to go down the street, still has to go past that business address or past somebody's home, whether he has that payment to be delivered or not.

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

Conceivably, the large-volume mailers who generate most of today's revenues will find more economical alternatives to the Postal Service, particularly if our rates continue to rise.

DELIVERY POINTS CONTINUE TO INCREASE

However, their abandonment of the system will not proportionately reduce our costs. For example, the number of delivery points will probably continue to increase at the rate of about 2 percent a year, regardless of volume. Accordingly, the gap between costs and revenue will continue to grow as mail volume declines, placing an ever greater burden on the individual mailer.

The Postal Service has moved positively to respond to these adverse developments. We have taken firm steps to increase productivity and to cut costs.

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

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

Looking at the total picture, in the 5 years preceding postal reorganization—fiscal years 1966-70—total postal man years of employment increased 14 percent. In the 5 years since the Postal Reorganization Act—fiscal years 1971-75—our man years of employment have decreased by about 30,000, or about 4.2 percent. In this fiscal year, we intend to reduce our employment by an additional 19,000 man-years.

And I might add, 14,908 position have already been eliminated.

The CHAIRMAN. Fourteen of the 19.

Mr. BAILAR. Yes, sir: 14,908.

We have put a number of productivity improvement programs into motion, including the deployment of new mail processing equipment, and the Letter Carrier Route Evaluation System, now in arbitration.

We have issued instruction to expedite the identification and reassignment of excess craft employees, and to eliminate overtime except for critical mail processing functions.

We have limited hiring for permanent positions, and tightened up considerably on the use of casual employees.

Finally, we have begun to identify which small post offices could be closed without impairing service to our customers.

However, until we come to grips with long-range postal problems, the short-term remedies we have applied will have little lasting effect.

The same is true of more drastic solutions, such as eliminating special delivery service or 6-day-a-week delivery.

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

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

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

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

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

Moreover, Senator, if the costs of maintaining the traditional services result in postal rates which many large users will be unwilling to support because they cannot justify them economically, they will take their business elsewhere. That will ultimately mean enormous rate increases for the greatly reduced mail volume of small mailers and private citizens that remains in the postal system.

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

GOAL OF S. 2844

Accordingly, we favor what we understand to be the heart of S. 2844.

The CHAIRMAN. Let me explain S. 2844. I neglected to make reference to it.

It is a bill that I sponsored just in advance of these hearings. It was submitted as a vehicle from which to proceed in receiving your testimony in evaluating the substantive criticisms of those who have other input they want to make.

So you have to have a vehicle to start with. This is the vehicle, which I think mostly contains a pretty substantial approach. But it is not with any sense of arrogance or stubbornness that it is submitted.

And we are ready to bend, collapse, expand, whatever it takes in order to make it realistic as we assemble and attempt to synthesize all of the comment we are seeking on this problem.

Mr. BAILAR. Senator, that is why I refer to our support for "the heart" of what we understand is the goal of this legislation.

I refer to the creation of a commission to study the public service functions of the Postal Service and the proposal for an interim in-

crease in public service authorization of up to 10 percent of the estimated operating expenses of the Postal Service each year for 3 years. In view of our present financial crisis, I believe that additional temporary funding for the Postal Service is vital.

Additional emergency funding would carry with it an obligation to keep postal rates as low as possible. In this regard, I pledge that the efforts of the Postal Service to reduce costs in a responsible manner would continue despite the availability of increased appropriations funding.

In addition, I believe that the other provisions of S. 2844 deserve some comment. We would appreciate having the opportunity to submit detailed written comments within the near future. But let me say now that in general, we favor many of the proposals in this legislation affecting the Postal Rate Commission.

We strongly favor the 10-month limit on rate proceedings.

We object to the proposal to permit the Postal Rate Commission to obtain whatever it desires from the Postal Service Fund. Under present law, the Postal Service finances the Rate Commission budget, but the Governors of the Postal Service exercise a limited power of review over the total amount.

We believe that this system has been fair and reasonable. We do not understand how it could be considered appropriate to provide the Commission with an absolutely unlimited spending authority, to be covered from Postal Service income.

However, we do not object to a change in law, such as that contained in the House-passed H.R. 8603, which would require the Commission to submit requests through OMB to the Congress for such appropriations. Indeed, we would favor such legislation.

We also object to the provision singling out zone-rated fourth-class mail for special discrimination when public funding is taken into consideration in ratemaking. Public service appropriations are justified because the postal system must provide universal service, even in remote areas. Parcel post, like all mail services, is provided nationwide. Like other classes of mail, it should be relieved of the public service cost burden through appropriations.

Finally, we oppose the proposals to restrict the use of curbside and cluster box delivery. If the Postal Service is to make an effort at sensible economies given the long-term financial realities that must be faced, the judicious use of those delivery modes is an essential and a modest step in that direction.

The enactment of this type of featherbedding provision would only frustrate efforts to confront long-term financial problems. Further, if substantial subsidy appropriations should become identified with a particular craft of postal employees, there would be uncertain, but possibly undesirable, effects on future wage negotiations.

MAINTENANCE OF PRIVATE EXPRESS STATUTES IS IMPERATIVE

Before closing, Mr. Chairman, let me mention something that should not be changed: the fundamental obligation of the Postal Service to provide postal services to the people in all areas and in all communities—"to bind the Nation together through the personal, educational, literary, and business correspondence of the people." The value

of mail service lies in the fact that it is available to every citizen, urban and rural alike.

Uniform rates for letter mail—that is, rates which do not vary with distance—are important to this universal availability; I would not want to see them imperiled.

I mention these points because the private express statutes, which in one form or another have preserved a postal monopoly in the Government throughout the Nation's history, have lately been under attack.

If the traditional Government postal monopoly—which is generally comparable to those maintained by governments around the world—were repealed, the requirement of the law that the Postal Service charge uniform rates for letter mail could hardly be expected to continue, since continued prohibition of rates varying with distance would lead to competitive opportunities not just for skimming the cream of those postal operations that are most attractive from a business standpoint, but for taking the best part of the milk as well.

In other words, maintenance of the Private Express Statutes is imperative if we are to avoid variable postage rates for letter mail, with all the apparent disadvantages for mail in thinly populated areas, the increases in regulatory redtape, and the complexities and confusions for many citizens that would inevitably attend such a change.

Let me add that the Board of Governors of the Postal Service concluded, in June 1973, that the basic protections of the Private Express Statutes must be retained if this country is to continue to have effective universal mail service reaching into every community and serving all parts of the Nation.

In conclusion, I want to thank the committee for the concern and the cooperation it has shown the Postal Service in the past. Working with you and your colleagues in the House and with the administration, I believe that we can lay the foundation for solving our present financial problems and preserving a sound mail system.

The CHAIRMAN. Thank you, sir.

Senator RANDOLPH. Mr. Chairman, may I ask a question?

The CHAIRMAN. Yes. Proceed.

Senator RANDOLPH. Mr. Chairman, I have all confidence in you as the chairman to conduct the hearing, I say this as a preface to a suggestion so that I am not misunderstood. I feel that we allow 10 minutes for such member in questioning a witness, and that we move from one member to another, Democrat to Republican.

I make this suggestion because members have other committees in which they are engaged in mark-ups and other actions.

The CHAIRMAN. Not only is the suggestion accepted, it is a commendable format you suggest, always except for the chairman who can preempt everything and try to run with the ball. And for that reason, it is doubly important that we abide by that kind of a time limitation.

I say that as one who has sat at the other extreme of too many committees too many years to ignore its point. And without a vote of the committee, but making for the record the fact that it was unanimously agreed to, the questioning will proceed with the limitation of 10 minutes for each member of the committee. The 10 minutes is not

to be cumulative, so that you spend your 10 minutes, we go through it and then we start over again for those who still have questions to be raised.

And if it isn't too presumptuous, I will lead off and then we will alternate with the members of the committee in order. We have a timekeeper here, so be sure that you don't load it, as they do in one committee on which I serve in favor of whoever I disagree with. They always seem to get more time than I do.

Just keep it on the 10-minute intervals. If the Postmaster General makes a speech in response to a question, don't take too much out of that, out of the time of the member who asked the question, so that he may proceed to other questions.

Mr. BAILAR. I will try to hold my answers to under 10 minutes.

The CHAIRMAN. You may make them all on the record, if you want to. We will receive those very graciously.

First, Mr. Postmaster General, the prospects of examining this with balance and good judgment in the year that is marked 1976 introduces certain problems. It has already introduced problems for the President of the United States, but we felt it was also a timely motion to inform and to educate the public in terms of what the real dimensions of the problems are. So we don't hesitate to proceed at this time.

And I am confident that this committee, even though several of our members here, including the chairman, are up for reelection, will not let that intrude on the quest for what is the fairest and most responsible adjustment or solution.

PRESIDENT'S BUDGET MESSAGE

And my first series of questions derives from President Ford's budget message. The message reads:

The Postal Service continues to face serious difficulties in achieving a balance between its cost and revenue.

Now, that is a tremendous statement. It is something that has surfaced for the first time, and it is a great contribution in thinking. And it is perhaps masterly in its understatement.

It goes on to say:

You will continue to explore ways to control costs through such steps as closing marginal post offices, reducing overtime, and transferring employees from overstaffed positions.

Now, there is a quick solution. Let's take, one at a time, those three suggestions.

What would it mean in terms of cost reduction to close marginal post offices?

Mr. BAILAR. Senator, as I am sure you are aware, the General Accounting Office has estimated that we could close 12,000 offices and save \$100 million a year.

The CHAIRMAN. Save how much?

Mr. BAILAR. \$100 million a year.

The CHAIRMAN. Closing 12,000 post offices would give you—

Mr. BAILAR. Yes.

The CHAIRMAN [continuing]. \$100 million a year.

Mr. BAILAR. Yes.

That would be 40 percent of our total post offices.

The CHAIRMAN. Yes.

Mr. BAILAR. And while \$100 million is a huge sum of money, in the context of the deficits that we've got it is obvious that it is only a small part of the solution.

In terms of the sorts of things that we can do, I can give you a couple of examples. Because of our need to poll the communities involved, I prefer not to identify the specific cities, but I can give you an example of the sort of thing we are looking at.

There is one small peninsula of land, which is 20 miles long and which has nine offices on it. We think we can close eight of those offices and reduce the costs of providing postal service to the 1,500 families on that peninsula.

The CHAIRMAN. Without reducing that service?

Mr. BAILAR. Yes, sir. We estimate that we could reduce costs from about \$220,000 a year to \$70,000; approximately a \$150,000 reduction.

Now, what would happen? We would replace the lockbox service and people picking up their mail in those post offices with rural routes. And, of course, if they wanted to continue to have a lockbox, there would be one of these offices on this peninsula of land that would be available.

Another example, Senator, is an office which is a rather substantial office; it has \$713,000 a year in revenue, and it has some 25 or 30 postal employees. But it is 1 mile from the nearest office. We think we can convert it to a branch of the large city adjacent. There would be no change of address required for the residents of that area and we think we can save about \$98,000 a year.

Another one, which is nearly as large, is 4 miles from a large city. We think we can lose that office and accomplish savings on the order of \$40,000 a year.

The CHAIRMAN. In the context of the President's mandate, you could have as much as \$100 million if you could close 12,000 post offices—smaller ones in most cases—without resulting in inequities to those post offices served?

Mr. BAILAR. Well, the General Accounting Office study, Senator, was based on conversations which they had with families served by 32 offices which had been closed a year before in a total of 28 different States.

And there evidence was that 90 percent of the people they interviewed that had been served by these offices felt that the replacement service, that is, the rural letter carrier, or community post office, or whatever it was, the replacement service was as good as or better than the service they had earlier.

Now, the problem is that you have to get a year past the transition and let some of the demagoguery die away, and let people experience the new service and get used to it.

But I am convinced that we can make a number of these changes.

OVERTIME REDUCTION

The CHAIRMAN. What about reducing the overtime?

Mr. BAILAR. Well, this last Christmas we reduced overtime by 20 percent, Senator.

The CHAIRMAN. How serious a factor is that in budget terms?

Mr. BAILAR. Total overtime cost in the last fiscal year was \$479 million. So that if we could just take that overtime and put it on a straight-time basis, we can eliminate about \$150 million. And if we can eliminate even the straight-time component, we would get up toward \$500 million.

And we have made a good start on it, but we cannot eliminate overtime flatly in every case. I think there are cases when overtime is more efficient, to have a man on overtime for an hour or two, than to bring somebody in and pay him for a full day.

The CHAIRMAN. There are exigencies where the need is required.

Mr. BAILAR. Yes.

The CHAIRMAN. And if you could eliminate half the overtime?

Mr. BAILAR. If we could eliminate half of the overtime premium, it would be \$75 million.

So, we are talking about substantial sums of money, but we are not talking about amounts that approach the billion-dollar deficit that I mentioned to you earlier.

The CHAIRMAN. The third of the President's suggestions to you is that of transferring employees.

Mr. BAILAR. Well, we have started to conduct some transfers. I think the one that has had the most public notice so far was transferring about 50 employees that were excess in the Birmingham, Ala., post office. The largest majority of them were transferred to Memphis; some of them to another city in Alabama; there were a couple of them that retired; there were, happily, two of them that were qualified for promotion to stay in Birmingham.

I have some other examples here. Harrisburg, Pa., as an example, was affected by the startup of the Philadelphia Bulk Mail Center. And after the Philadelphia Bulk Mail Center was started up, we found out that there were about 140 employees in Harrisburg that were no longer needed there.

Now some of those were transferred to Philadelphia. But I have a list here that I would be happy to submit for the record of anywhere from one to as many as seven employees in Reading, LeMoyne, Bloomburg, New Cumberland, Camp Hill, and so on, where they were transferred into the small post offices rather than to have the Reading Post Office hire five clerks off the street. And that's the way we reduce our payroll.

Now these numbers may seem small, Senator, but for every 60 employees that we eliminate, we can save \$1 million a year. So they add up.

[The following information was subsequently supplied for the record:]

The start up of the Philadelphia, PA Bulk Mail Center resulted in excessing 146 craft employees of the Harrisburg, PA Post Office. Of these employees, 28 were in the clerk craft and 118 were mail handlers.

On November 3, 1975, all affected employees were officially notified of their excess status. Listed below are the personnel actions that were, and are still to be, taken.

<u>Date</u>	<u>Personnel Action</u>
1-3-76	1 Clerk retired 1 Clerk transferred to Inspection Service
1-31-76	52 Mail Handlers reassigned to the Philadelphia Bulk Mail Center. 8 Clerks reassigned to the Philadelphia Bulk Mail Center.
3-1-76	21 Mail Handlers will be reassigned to the Philadelphia Bulk Mail Center.
3-27-76	5 Clerks will be reassigned to clerk vacancies in the Reading, PA Post Office. 2 Clerks will be reassigned to carrier vacancies in the Lemoyne, PA Post Office. 1 Clerk will be reassigned to a clerk vacancy in the Bloomburg, PA Post Office. 1 Clerk will be reassigned to a carrier vacancy in the New Cumberland, PA Post Office. 1 Clerk will be reassigned to a carrier vacancy in the Camp Hill, PA Post Office. 1 Clerk will be reassigned to a carrier vacancy in Waynesboro, PA Post Office. 3 Clerks will be reassigned to Motor Vehicle Craft vacancies in the Harrisburg, PA Post Office.

3-27-76
Cont'd.

1 Clerk will be reassigned to a carrier vacancy in the Reading, PA Post Office.

7 Mail Handlers will be reassigned to custodial vacancies in the Camp Hill, PA Post Office.

1 Mail Handler will be reassigned to a custodial vacancy in the Mechanicsburg, PA Post Office.

1 Mail Handler will be reassigned to a custodial vacancy in the Sunbury, PA Post Office.

1 Mail Handler will be reassigned to a custodial vacancy in the Lewiston, PA Post Office.

1 Clerk and 6 Mail Handlers have elected to revert to part-time flexibles in the Harrisburg, PA Post Office.

Disposition is pending on the remaining 2 Clerks and 28 Mail Handlers.

The CHAIRMAN. You are talking now about the possibility of \$100 million being saved in closing some marginal post offices or some fraction of that; about \$300-\$400 million in the possibility of overtime being saved by reducing overtime.

Mr. BAILAR. Both of those numbers would be maximums. They are probably far in excess if what is realistically attainable.

The CHAIRMAN. And the transferring of employees, in the terms you just described, could produce what?

Mr. BAILAR. Well, I don't have a number on a nationwide basis, Senator.

The CHAIRMAN. Could you have your computers project several "what-ifs" on that?

Mr. BAILAR. Yes, I can.

[The following information was subsequently supplied for the record:]

In order to maintain a *nationwide* balance between manpower and workload by precluding the outside hiring of bargaining unit employees in a particular post office while excess bargaining unit employees exist in other postal facilities, the Postal Service established an Excess Craft Employee Reporting System. This system provides for the identification of the number of employees by salary level, craft, and occupational group, if appropriate, who are excess to the needs of a particular office. When a post office needs additional manpower, prior to commencing any efforts at outside hiring of bargaining unit employees, it will first refer to the excess employee listing so that a determination can be made as to whether its manpower needs can be met by the reassignment of excess employees from other post offices.

Projections of the number of full-time employees to be identified as excess during FY 76 approximated 8,200 employees. During the first half of FY 76, USPS experienced a net reduction in this amount through separations of approximately 6,700. Of the 1,500 remaining projected excess employees, the computerized employee reporting system has identified 950 excess full-time employees who are presently eligible for reassignment.

1977 Projection of Savings

	Million
Assuming the total 8,200 excess employees will either be reassigned or absorbed through voluntary separations—the possible annualized savings for fiscal year 1977 would amount to-----	\$137
If the current trend continues for the remainder of this fiscal year, an additional 4,200 excess positions could be identified for either absorption or reassignment—the additional annualized savings for fiscal year 1977 would amount to-----	70
Total maximum possible fiscal year 1977 savings from absorption of excess positions-----	207

The CHAIRMAN. So that we can have a look at that and add it together.

Adding it all together, in most considerable terms we would be very much short of the deficit the President thought he was addressing himself to. It's another solution, it is another sort of gimmick that suggests, "Here is the way to do it" without doing it.

Mr. BAILAR. Well, I have indicated previously, Senator, that there are several ways that we can approach our financial problem, as you did in your opening statement.

One of them is cost control, and we, obviously, are going to do everything possible. I think we can save a substantial amount of money, but we cannot solve the problem by cost control. It is just not in the cards.

The CHAIRMAN. The recent bulk mail facility, it just opened and I toured it carefully. It was explained to me that in that area, at least, that in personnel the cutback was made possible. They had 649 regular employees when it's on full-stream in the next few weeks, representing an area of service that had, until it went on-stream, required something over 3,000 employees to provide the service.

This would be rather considerable, would it not?

Mr. BAILAR. Yes.

And those employees, the ones who are not assigned into the bulk mail center, will be redistributed through this reassignment structure.

The CHAIRMAN. Redistribution.

My time must be up. If it isn't, I will take credit for the time left over and use it later.

Senator Randolph.

Senator RANDOLPH. Well, I think it would be best to go the ranking Minority member.

The CHAIRMAN. Why don't you start off and then we will go with the time frame here?

Senator RANDOLPH. Thank you, Mr. Chairman.

At the outset, this is not a pleasantry but I desire to have the record indicate my belief that General Bailar is a competent Postmaster General.

It has been almost 2 years since our Postal Oversight Hearings of March 1973. First class stamps cost 8 cents at that time. I had a reluctance at the time of the formation of the U.S. Postal Service.

Since 1973 the Postal Service, like our Nation, has gone through troublesome times. The energy crisis has affected the delivery of mail just as it has affected industry and the private citizen. Mail volume has decreased for the first time since the depression and a postal deficit has grown to nearly \$3 billion.

Mail rates have increased and so has the cost of running the mail service. The postal deficit becomes larger. There has been no noticeable decrease in service, neither has the service improved. There is less mail volume but there has not been a comparable dollar savings reported. Possibly there is no incentive device built into the design of the Postal Service. It needs to be more responsible to the people. Making it less independent and more a part of the executive branch of government again could be part of a solution.

The American people are demanding better mail service. They are understanding but they are mindful of high postal costs. There is a critical point where cost outweighs almost everything else and alternatives must be selected, particularly when such alternatives make practical business sense. Cost consciousness must be practiced by the policy setters of the Postal Service.

America has been blessed with productive and loyal Postal employees. They are deserving of a good working environment and a fair and livable wage. Postmasters, rural and urban carriers, clerks, all postal workers understand the problems you face and stand by your side. They know that adjustments need to be made and they want to cooperate to the fullest extent possible.

It is with a feeling of cooperation that I join my colleagues on Post Office and Civil Service Committee today as we proceed with our

hearing. I look forward to the opportunity of counseling with you during your appearance here today and in the future.

Mr. BAILER. Thank you.

Senator RANDOLPH. I have had periods of counseling with Mr. Bailer about the conduct of the Postal Service and that I believe that, insofar as possible, he and his associates will take the initiative. Certainly, your associates need to be ready to command the resourcefulness which I think is necessary for the job you have to do.

I think, Mr. Bailer, that you have an almost impossible task. As viewed by the people in this country, you must bring order out of the chaotic financial situation in the U.S. Postal Service.

It would seem that I decry the Postal Service. I do not. I want to ask some questions I hope you will have the opportunity of clarifying them through your answers.

It has been indicated here in the quick colloquy that the bulk mail system has been successful. I do not believe that.

I believe that—

The CHAIRMAN. The only indication was that there was a cut in the number of people.

Senator RANDOLPH. Do you wish to make comment on that?

Mr. BAILER. Well, I would say, Senator, that I think it is to early for us to form a very well-informed judgment on the bulk mail systems.

The final installations have only just gone onstream; they are not completely operational yet. We are hopeful that they will generate savings of an amount—as Senator McGee and I were discussing—of an amount that would be sufficient to warrant the investment that has been put in them.

Our ability to realize the savings is going to be contingent on a couple of things. One is our operating procedures over the next year or 18 months, as we really get these things fully into operation. Second, the volume that goes through them. They are predicated on handling a certain amount of volume, and I am deeply concerned about volume, as I indicated in my statement.

Senator RANDOLPH. What is the anticipated cost in general?

Mr. BAILER. The original projections were \$950 million. I think, Senator, it is going to be in the order of \$990 million to \$995 million. There is going to be an overrun that I think, considering the size of the program and the length of time that it has taken, has come remarkably close to the original projections.

Senator RANDOLPH. Mr. Chairman, my reluctance concerning the building of the bulk mail centers was expressed publicly during the 1973 postal oversight hearings. There are serious financial and service problems attributed to the U.S. Postal Service Bulk Mail Centers. The charts I present here for the record give graphic evidence to reinforce my concern.

[Aforementioned information follows:]

U.S. Postal Service, Bulk Mail Center, Atlanta, Ga.

Daily volume of packages sorted-----	95, 571
Number of employees-----	549
Approximate cost-----	\$35, 585, 000

NOTE.—Volume and manning data as of January 1976.

United Parcel Service, Hub Facility, Atlanta, Ga.

Daily volume of packages sorted-----	220, 000
Manning:	
Full-time employees:	
Management -----	9
Hourly -----	62
Part-time employees:	
Management -----	46
Hourly -----	502
Approximate cost of building and equipment-----	\$4, 500, 000

NOTE.—Volume and manning data as of January 1976.

Senator RANDOLPH. You have spoken about the possible closing of post offices. Is there a criterion that you have for closing what I call "small post offices"?

Now, conceivably, this might sound provincial, but West Virginia is a rural State, second only to Vermont by certain standards. We have had the rural post office operating; a certain contact with the people which, even now, with our mobility and our communication, a contact that has a value with the Federal Government and an affinity which some people value pretty highly.

Would you speak of your criterion? Is it on the basis of operating at a profit in relation to the size of a post office?

Mr. BAILAR. The first basis, Senator, is our conviction that we must be in a position to supply postal service to all of the citizens in any area of this country. And we look at the possibility of small office closings with an eye toward what kinds of replacement services we might provide, because we do have an obligation to get mail service to those people.

Now we do not have any hard criterion, and we have deliberately stayed away from saying, "Well, if it's so many dollars of revenue" or "If it is within this many miles of another office" because we don't want to have any rigid inflexible formula on which these things are worked out.

We do look at the size of the post office, the number of lockboxes that are rented, the number of families that are served, the distance to adjacent post offices, the condition of the roads—accessibility, as well as distance.

And I would add that in the small office closings, we are trying to do two things: One is to have the recommendations originate with our field managers who are familiar with the local situation; and, second, in each case we poll the local community about alternative forms of service before we make any decision.

REMOVAL OF COPYING MACHINES

Senator RANDOLPH. General, I move from one subject to another rather quickly. This gives you an opportunity to explore several items of interest with us.

Later, perhaps we can come back and cover it in greater detail.

When the postal service came into a rural State like West Virginia with the coin-operated copying machines, which I have discussed with you in conference—

Mr. BAILAR. Yes, sir.

Senator RANDOLPH. As an illustration I would point out a community like Sistersville, W. Va., where there is no competition from another source for a copying machine which is used by the community. The copying machine within the postal facility has been of tremendous value to the community, through all facets of life there.

Would you comment on what you are thinking in reference to the order which you made a few weeks ago concerning discontinuing this service? Have you any second thoughts about that?

I think you made a quick decision, and I am not attempting to say that you should change it. But I do think the House of Representatives acted—and I should not talk about the House—in a way that I would not have acted.

Mr. BAILAR. Senator, I don't think there is any question that the decision we made was a mistake. And, frankly, I wish we hadn't implemented that decision.

It was not made very quickly. I hasten to tell you it was made after a good many conversations with more than one committee.

But it is a decision that is going to be reversed.

Senator RANDOLPH. Was it discussed here with members of this committee?

Mr. BAILAR. No, sir. There has not been any expression of interests, to my knowledge, in the Senate on this particular issue. The decision was originally made, Senator, about 12 months ago or thereabouts; and the original interest was expressed by a House Small Business Subcommittee, chaired by Congressman Hungate.

At any rate, Senator, I am convinced the decision was a mistake. It is going to be reversed. And I am happy to tell you we are going to have copying machines in our post offices. We are going to do it under some carefully controlled restrictions. We don't want to compete with private industry. That is not why they were put in in the first place.

Senator RANDOLPH. I would not want that.

Mr. BAILAR. We are going to see whether the Randolph-Shepherd Act has some applicability to the operation of these machines and whether we can conduct our affairs in that way, although I know that is not a subject you raised.

We are going to put on the machines, as we put them back in, a small sign that indicates that they are for individual use and that commercial copying services are available in local businesses, and we could possibly have the local businesses that want to have their names listed there be there.

So we are going to do it under pretty careful controls. But it is a service to the public and we are going to provide it.

Senator RANDOLPH. I commend you, General.

Mr. BAILAR. Thank you.

Senator RANDOLPH. You are realistic, and I appreciate it.

[The following information was subsequently supplied for the record:]



THE POSTMASTER GENERAL
Washington, DC 20260

January 28, 1976

Honorable Gale W. McGee
Chairman, Post Office and
Civil Service Committee
United States Senate
Washington, D.C. 20510

Dear Gale:

During the hearing yesterday of the Senate Post Office and Civil Service Committee, several questions were asked about the actions of the Postal Service with respect to photocopying service in postal lobbies. This letter is intended to describe more fully the steps we have taken to reinstitute photocopying service as quickly as possible.

In view of not only the demand but the urgency expressed by the public and many members of Congress, we have taken steps to reissue contracts to the same firms with whom we had previously competitively contracted for photocopying equipment, with essentially the identical restrictions contained in those contracts. This will permit us to renew service in a matter of days in virtually all instances.

If we were to attempt to negotiate new contracts now, the process would take weeks in order to comply with Federal procurement regulations. However, we do intend to solicit bids for this service competitively as they expire over the next several months, the longest period being slightly over a year.

The existing contracts prohibit our offering photocopying service, if a comparable service is available within 500 feet, and also restricts the price to prevailing market or above. These limitations should provide adequate protection for private firms that might be in the vicinity.

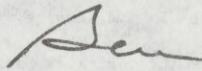
- 2 -

In addition, we intend to display a poster near each machine suggesting the use of commercial firms for any volume copying needs.

These actions are described in a press release and a field communication which went out on January 27 and 28, respectively, copies of which are both enclosed.

Any comments which you have about the instructions prior to our solicitation of new bids will be welcome.

Sincerely,



Benjamin F. Bailar

Enclosures



NEWS

U.S. Postal Service • Washington, DC 20260

(202) 245-4144

For further information call _____

FOR IMMEDIATE RELEASE

GENERAL RELEASE NO. 7

POSTAL SERVICE TO RESUME PHOTOCOPYING SERVICE

The U.S. Postal Service announced today that coin-operated photocopying service will be resumed in post offices where local postal management indicates renewal of the service is in the public interest.

By this action the Postal Service will ask the same contractors who originally were awarded the contracts competitively to resume the photocopying services cancelled several weeks ago on the same basic terms. As contracts expire, the Postal Service will solicit bids for new ones on a competitive basis designed to encourage participation by small businesses.

The dates for resumption of service will vary by community, depending upon contract renewal requirements and availability of equipment, but service should be generally available within a short time, the Postal Service said.

To assure that photocopying service in postal lobbies is not detrimental to neighboring retailers, the Postal Service will not provide this service if a similar service is located within 500 feet and it will maintain a vended price at or above normal commercial levels.

In addition, the Postal Service announced plans to display prominently by each self-service photocopying machine a poster encouraging the use of private firms for high volume copying needs including, where appropriate, space available to list such firms in the general vicinity.

TELETYPE MESSAGE

NAME OF AGENCY APMG Procurement & Supply Dept. U. S. Postal Service		PRECEDENCE ACTION: INFO:	SECURITY CLASSIFICATION
ACCOUNTING CLASSIFICATION 6L-104203 (379 words)		DATE PREPARED 1-28-76	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☒ MULTIPLE ADDRESS 5
FOR INFORMATION CALL			
NAME Robert H. McCutcheon	PHONE NUMBER 4215		
THIS SPACE FOR USE OF COMMUNICATION UNIT			

MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)

TO:

REGIONAL POSTMASTERS GENERAL

THE USPS WILL IMMEDIATELY RE-ESTABLISH COIN-OPERATED PHOTOCOPY SERVICE AT OUR POSTAL FACILITIES WHERE IT IS DETERMINED BY LOCAL AND REGIONAL MANAGEMENT TO BE IN THE PUBLIC INTEREST. AT PRESENT THIS WILL BE CONFINED TO A MAXIMUM OF THOSE OFFICES PREVIOUSLY OFFERING PHOTOCOPY SERVICE. IN ORDER TO REACT IN AN EXPEDITIOUS AND EFFICIENT MANNER, YOU ARE REQUESTED TO INITIATE THE PROGRAM AT YOUR RESPECTIVE REGION UTILIZING THE FOLLOWING PROCEDURES:

1. A NEW CONTRACT SHALL BE NEGOTIATED BY YOUR CONTRACTS AND SUPPLY MANAGEMENT BRANCH UTILIZING A REQUEST FOR PROPOSAL FORMAT THAT WILL BE FORWARDED BY SEPARATE CORRESPONDENCE. ANY DEVIATION FROM THIS SAMPLE RFP MUST BE APPROVED BY THE

SECURITY CLASSIFICATION

PAGE NO. 1	NO. OF PGS. 4
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TELEGRAPHIC MESSAGE

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FOR INFORMATION CALL						
NAME	PHONE NUMBER					
THIS SPACE FOR USE OF COMMUNICATION UNIT						
MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)						
TO: PROCUREMENT AND SUPPLY DEPARTMENT AT HEADQUARTERS, USPS. 2. THE CONTRACTS SHALL BE NEGOTIATED WITH THE CONTRACTORS WHO HELD THE PREVIOUS CONTRACTS, AWARDED THROUGH COMPETITIVE BIDDING, AT THE TIME OF THE TERMINATION DIRECTED BY THIS HEADQUARTERS. 3. NECESSARY APPROVAL AND AUTHORITY WILL ALSO BE FORWARDED BY SEPARATE CORRESPONDENCE TO YOUR CONTRACTS AND SUPPLY MANAGEMENT BRANCH. 4. ONLY THOSE LOCATIONS AND SITES WHERE MACHINES WERE PREVIOUSLY IN OPERATION AT THE TIME OF THE TERMINATION ARE ELIGIBLE FOR AWARD UNDER THE RFP AND THEN ONLY TO THE EXTENT THAT THEY CAN BE MADE FULLY OPERATIONAL WITHIN 14 CALENDAR DAYS AFTER DATE OF AWARD. 5. THE CONTRACTORS SHOULD IMMEDIATELY BE GIVEN						
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NAME OF AGENCY	PRECEDENCE ACTION INFO	SECURITY CLASSIFICATION
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NAME	PHONE NUMBER	☐ BOOK
		☐ MULTIPLE-ADDRESS

THIS SPACE FOR USE OF COMMUNICATION UNIT

MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)

TO:

NOTICE TO RESUME SERVICE PENDING SIGNING OF A FORMAL CONTRACT. THIS NOTICE MUST BE SIGNED BY A CONTRACTING OFFICER.

6. THE EXPIRATION DATES OF THE CONTRACTS TO BE AWARDED UNDER THE RFP ARE AS FOLLOWS: SOUTHERN REGION, XEROX - OCTOBER 25, 1976, COPY PRODUCTS OF FLORIDA - OCTOBER 25, 1976 CENTRAL REGION, XEROX - NOVEMBER 14, 1976, INSTA COPY (COPICO) - NOVEMBER 14, 1976; WESTERN REGION, XEROX (HONOLULU) - JUNE 30, 1976; EASTERN REGION, XEROX - MARCH 6, 1977; NORTHEAST REGION - CONTINUE WITH YOUR PRESENT CONTRACTORS UNTIL JULY 31, 1976 (WITHDRAW YOUR TERMINATION LETTERS.)

7. IT IS POSTAL SERVICE POLICY THAT THE VEND RATE FOR EACH MACHINE SHALL BE NO LOWER THAN THE PREVAILING LOCAL COMMERCIAL RATE, AS DETERMINED BY THE CONTRACTING OFFICER BASED UPON

SECURITY CLASSIFICATION

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TELEGRAPHIC MESSAGE

NAME OF AGENCY		PRECEDENCE	SECURITY CLASSIFICATION
		ACTION:	
		INFO:	
ALTERNATE CLASSIFICATION		DATE PREPARED	TYPE OF MESSAGE ☐ SINGLE ☐ BOOK ☐ MULTIPLE-ADDRESS
FOR INFORMATION CALL			
NAME	PHONE NUMBER		
THIS SPACE FOR USE OF COMMUNICATION UNIT			
MESSAGE TO BE TRANSMITTED (Use double spacing and all capital letters)			
TO: RECOMMENDATIONS PROVIDED BY THE REGIONAL RETAIL DIVISION. HOWEVER, IN ORDER TO EXPEDITE THESE CONTRACT AWARDS, THE INITIAL RFP WILL SET AN INITIAL VEND RATE OF 15 CENTS PER COPY FOR EACH MACHINE. THE ABOVE PROCEDURES ARE PHASE I OF THE PROGRAM. PHASE II INSTRUCTIONS PROVIDING COMPETITIVE PROCURE- MENT TO EXPAND THE PROGRAM WILL BE PROVIDED TO YOU SOON. ROBERT H. MC CUTCHEON ASSISTANT POSTMASTER GENERAL PROCUREMENT & SUPPLY DEPT.			
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STANDARD FORM 14
 REVISED AUGUST 1967
 GSA FPMR (41 CFR) 101-35.306

8 GPO : 1967 OF-320-455 (8-6)

16-326

Senator RANDOLPH. We will quickly jump to another question. How much time do I have?

The CHAIRMAN. This is the last question.

Senator RANDOLPH. How many employees do you have in the so-called "Headquarters, Postal Service"?

Mr. BAILAR. Actually, in the building here, Senator, I think it is about 2,250.

Senator RANDOLPH. How does that compare with 1973?

Mr. BAILAR. It is comparable. I think it shows a slight decline.

Now, listed on our rolls as headquarters employees have gone up because the security forces in the field and some of the bulk mail employees are listed as headquarters employees because the organizations, which they are attached to don't function through the regular regional organization.

But in terms of the classic overhead, the staff people, the number has gone down in the last 3 years. I would have to get you a precise number. I would be happy to do that. But it is down nominally.

[The following information was subsequently supplied for the record:]

At the end of FY 1973 we had 2447 employees at USPS Headquarters, including Research and Development at Rockville, Maryland. At the end of FY 1975, the total was 2463 and as of January 2, 1976, the latest accounting period for which complete figures are available, the number was 2412.

Senator RANDOLPH. Mr. Chairman, I appreciate the responses of the gentleman. I will submit an excerpted page from the Annual Report of the Postmaster General.

[The aforementioned was subsequently supplied for the record:]

Employees

	1975	1974	1973	1972	1971
Employee Groups			(on payroll as of June 30)		
Headquarters employees	2,988	2,931	2,531	2,301	2,611
Field regular employees:					
Regional and other field units reporting to headquarters	13,615	10,079	5,128	5,460	5,761
Inspection Service	5,610	5,461	4,680	4,716	2,511
Postmasters	30,050	30,288	29,490	30,731	29,945
Post Office supervisors and technical personnel	37,157	37,422	34,474	38,102	37,357
Post Office clerks and mail handlers	238,913	243,291	238,727	250,390	239,571
City delivery carriers and vehicle drivers	166,946	171,460	171,504	174,974	166,006
Rural delivery carriers	30,828	30,674	30,423	31,024	31,131
Special delivery messengers	2,878	2,964	2,995	3,205	2,661
Building and equipment maintenance personnel	25,050	24,708	23,508	23,962	22,768
Vehicle maintenance facility personnel	5,029	5,289	5,416	5,823	5,589
Total regular employees	559,064	564,567	548,876	570,688	545,911
Total substitute employees	143,193	145,866	152,175	135,712	183,000
Grand total	702,257	710,433	701,051	706,400	728,911

Offices, Stations and Branches

	1975	1974	1973	1972	1971
Number of post offices	30,754	31,000	(as of June 30)		
Number of branches and stations:			31,385	31,686	31,947
Classified branches and stations	3,993	3,955	3,939	3,729	3,906
Contract branches and stations	3,808	3,952	4,096	4,603	4,437
Community Post Offices	1,991	2,007	2,014	2,236	1,997
Total	9,792	9,914	10,049	10,568	10,340
Grand Total	40,546	40,914	41,434	42,254	42,287

Excerpted from

Annual Report from Postmaster General
1974-1975

Senator BURDICK. Could I amend the order?

I will ask if I can get on with my questioning, because I have to go to another committee. If the Senator from Alaska will permit me?

Senator STEVENS. Yes.

FIVE-DAY WEEK

Senator BURDICK. Mr. Bailar, when I was out in the State seeing the people during the vacation period, I was asked this question many times; presumably, they pick this information up from the weekly magazines and various places.

What has been done about invoking an order for Saturday closings, I mean, deliveries?

The CHAIRMAN. Saturday closings? A 5-day week?

Senator BURDICK. A 5-day week and not Saturday deliveries.

Mr. BAILAR. There has been no decision made, Senator, on whether we would even attempt to change our delivery frequency. The matter is under serious discussion because there is a great deal of money to be saved if we do do it, something on the order of \$350 million a year if we would terminate 6-day delivery. And there is some feeling that perhaps the time has come for that change in our operating pattern.

We have not made a decision on it, and when the decision is made, the next step would be for the Postal Service to file with the Postal Rate Commission for an advisory opinion on this subject. So that is where it stands now, Senator.

Senator BURDICK. My next to last question is I notice on page 2 of your statement:

Accordingly, I suggest to you today—as I have suggested before—that any emergency legislation reported by this Committee should have two basic components: the creation of a group to study issues related to postal services, costs, and funding, and the authorization of appropriations to assure adequate postal financing for the life of the study group.

Now, since 1971, have you maintained a study of the system for the last 5 years?

Mr. BAILAR. Yes, Senator.

Senator BURDICK. Do you have to restudy it?

Mr. BAILAR. No. Let me clarify a little bit, if I may, what I was driving at there.

There are a number of traditional services which the Postal Service is providing the American people which, I think there is room for a serious argument to be made, may not be needed in the literal sense of the word. We could provide mail service without them, and some of these small offices may be a case in point.

They are perhaps uneconomical. And when we put those in our rate base and pass them on to our customers, some of the customers who don't care to participate in those services say, "We will take our business elsewhere."

I have had several representatives of major publishing organizations say to me:

We don't care whether you deliver mail in the very remote areas or not. The important part of our distribution to us is the big cities, the high demographic advertising markets, and that's all we want to pay for.

Now, the outcome of this is that if we insist on providing these services and charging the big mailers for them, we are going to lose

their business. And we have recently seen an announcement on behalf of Time, Inc. and Dow Jones that they are in a cooperative venture in big cities to see about delivering their publications. If that business is lost to the Postal Service it is going to hurt us. It is going to hurt the individual, private mailer in the long run.

So, what I was proposing here was that we have the Commission look at the Postal Service and say, "All right. Those things are public services and they ought to be funded accordingly. The cost ought not to go into the postal rate base"—that is what I was proposing there, Senator.

Senator BURDICK. Thank you. Thank you, Senator Stevens, thank you very much.

And I would like to make a request at the beginning, Mr. Postmaster and Mr. Chairman. I would like to see the record contain at this point or earlier a comparison of the rates, the employment statistics and the volumes that are handled by other nations for the latest dates that we have.

It is my impression that this clamor against the Postal Service ignores the inflationary spiral that has taken place in the world and that we still have the most efficient and least-expensive system in the world engaged in the delivery of personal and business correspondence.

Now that is my belief. I would like to see what your statistics show. But could I ask that that be placed in the record somewhere?

The CHAIRMAN. It will be made a part of the record at its appropriate reference.

POSTAL RATES IN OTHER COUNTRIES

Mr. BAILAR. I will supply that analysis for the record, Senator. I would mention to you that the rates in the industrialized countries to which I referred generally compare to the United States' 13 cents as follows: Canada and Switzerland are eight and 15 cents, respectively; Australia, 23; Belgium, 17; Japan, 17; the United Kingdom is 17; France is 18; Sweden, 21, and so on.

Senator STEVENS. Yes.

But take Canada, for instance. They just came through a crippling strike. It is my understanding that the government has absorbed the increased costs involved there.

Have we got the latest information on that settlement?

Mr. BAILAR. I will supply it for the record.

But I would add that I think there has been a good deal of talk about raising their rates since they have settled that strike.

[The following information was subsequently supplied for the record:]

THE CANADIAN POSTAL STRIKE

On October 2, 1975 the 22,000 members of the Inside Clerks and Sorters Union initiated a strike against the Canadian Post Office. At issue was a union demand for a wage increase of \$2.73 per hour over a 27 month period. Average pay at that time was \$4.59 per hour.

The strike was settled on December 3, 1975 with the union accepting an offer of a \$1.70 per hour increase over a thirty month period. This amounts to a 37 per cent increase in wages.

Our conservative analysis of the settlement package indicates that the labor contract may cost the Canadian Post Office at least \$100 million over its 30 month lifetime.

More important, however, is the impact the strike appears to have had on their mail volume. Following the conclusion of the strike Canadian postal officials anticipated a flood of mail but it simply did not materialize. Evidently, the public discovered that they could live with alternative methods of communication. Presently, the Canadian Post Office estimates that they have lost 10-12% of their business, which is in line with England's experience following their 1970 strike.

During their last fiscal year, which ended March 31, 1975, the Canadian Post Office operated at a loss of \$320 million which equaled 34% of their total operating costs. Revenues for FY 1975 were \$618 million.

Canada has no plans for an immediate rate increase. Consequently, their deficits for this year and next should be even more staggering than FY 1975's deficit. Canada estimates an FY 1976 deficit of \$450 million and a decline in revenues.

COMPARISON OF USPS WITH FOREIGN POSTAL ADMINISTRATIONS

Country	Data year ¹	Volume (billions)	Employees	Productivity (pieces per employee)	Current rates in U.S. cents ²
Australia.....	1974-75	2.5	31,526	79,300	22.9
Canada.....	1974	5.4	347,447	113,823	8.0
France.....	1973-74	10.5	236,930	44,317	18.0
West Germany.....	1974	12.1	220,236	54,941	19.5
Great Britain.....	1973-74	11.1	199,610	55,608	17.3
Italy.....	1970	6.4	149,964	42,677	20.3
Japan.....	1973	14.1	133,755	105,417	16.6
Netherlands.....	1972	3.3	34,022	96,996	20.7
Switzerland.....	1973-74	3.6	34,217	105,211	15.5
United States.....	1974	89.2	702,257	127,019	13.0

¹ Data year for volume, employment and productivity figures. Rates are current year figures.

² For 1st-class mail or equivalent.

³ Does not include part-time employees.

To date there is no analysis of the impact of the Canadian postal strike.

Senator STEVENS. I have a series of questions that I would like to submit to you, if I may. Let me just ask a couple of them at this time.

One of the requirements of the Postal Reorganization Act of 1970 was that each mail class should pay its own way. How successful has the Postal Service been in meeting this requirement?

Mr. BAILAR. I feel that we have met that requirement of the law completely, Senator.

It is a subject that has been debated on an almost continuous basis before the Postal Rate Commission, as to where the costs ought to be apportioned. Now, in total, of course we had this deficit that I mentioned earlier. But I feel that the distribution of costs between classes is proper and that the rates that are charged to the various mailers are a proper reflection of their costs.

If I could add just a bit on one item, which Senator McGee mentioned in his opening remarks, on third-class advertising material. You used a word there that I did not quite understand when you were talking about "junk mail".

The CHAIRMAN. I was borrowing the expression from the White House, "junk mail".

Mr. BAILAR. OK.

The CHAIRMAN. This is the bane of their existence.

Mr. BAILAR. Well, there is a good deal of misunderstanding of it, I think.

It is a legitimate advertising medium. There are people who are not interested in the things that are advertised to them through third-class mail, but we have all had experience with seeing advertisements

on television or on billboards that we did not care about. It is just that we don't have a piece of paper to throw away to dispense with that advertising.

Third-class mail has a rate which is fully compensatory for its costs. It is cheaper than first-class mail, there is no question about it, in terms of the rate. But at the same time, we don't have to print stamps, we don't have to sell stamps, we don't have to go pick up the mail, we don't have to sort it by ZIP code.

The CHAIRMAN. Cheaper to handle it.

Mr. BAILAR. You bet it is.

The CHAIRMAN. All right.

Senator STEVENS. Well, I have a question concerning that, too, and I would be pleased to have your answer on the record.

You mentioned that your labor agreement will cost about 4 percent per year for the next 3 years, plus cost-of-living adjustments. Have you compared this to what has happened in private industry?

Mr. BAILAR. Yes, sir.

Senator STEVENS. If so, could you please include it in the record when you answer these questions?

Mr. BAILAR. Yes, I will give you an extensive answer for the record, Senator.

But, quickly, let me say that I have here a Department of Labor press release from the Bureau of Labor Statistics that was released last Friday: "Wage rate adjustments negotiated in 1975 averaged 10.2 percent for the first contract year; when figuring over the full life of the contract, the increases averaged 7.8. This compared with 9.8 in the first year and 7.3 in 1974. The measures exclude possible gains from cost-of-living escalator clauses."

Senator STEVENS. This is private sector of labor agreements.

Mr. BAILAR. Yes.

Senator STEVENS. And yours is 4 percent each year?

Mr. BAILAR. Exclusive of the cost of living, yes. Averaged over 3 years.

And I believe it is fair to compare it to these numbers.

Now, I also have a table here of the total costs of major settlements, including estimate COLA, retirement, and everything else.

Senator STEVENS. Well, I would like to have those for the record, too, if I may.

The CHAIRMAN. They will be made part of the record.

[The following news release was subsequently supplied for the record:]

NEWS



U. S. DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS

Bureau of Labor Statistics
Washington, D. C. 20212
J. E. Talbot (202) 523-1308
K. D. Hoyle (202) 523-1913
After hours 333-1384

USDL--76-51
For Release: 11:00 A. M. E.S.T.
Friday, January 23, 1976

MAJOR COLLECTIVE BARGAINING SETTLEMENTS, 1975

Major collective bargaining settlements reached during 1975 generally provided for larger wage increases than agreements negotiated during 1974, according to preliminary estimates issued today by the Bureau of Labor Statistics of the U. S. Department of Labor.

Wage-rate adjustments negotiated in 1975 averaged 10.2 percent for the first contract year. When figured over the full life of the contract, the increases averaged 7.8 percent a year. These averages compared with 9.8 percent (first year) and 7.3 percent (over the life) in 1974. (See tables 1,3, and 4.) The measures exclude possible gains under "cost-of-living" escalator (COLA) clauses.

The 1975 data relate to 763 collective bargaining settlements, covering 2.8 million workers. These settlements were primarily in the construction, railroad, apparel, and wholesale and retail trade industries. The number of workers covered by 1975 settlements was somewhat higher than expected, partly because several contracts which expired in 1974 were not concluded until 1975.

Other key features of the contracts reached during 1975 include:

- * Wage and benefit gains combined, in contracts covering 5,000 workers or more, averaged 11.2 percent for the first year and 8.0 percent annually over the life of the contract. This compares with 10.7 and 7.8 percent, respectively, in 1974. (See tables 1 and 2.)

* Contracts concluded during 1975 had an average duration of 27.6 months, compared with 22.8 months when the same parties previously negotiated. First-year gains were greater than those deferred to subsequent years and their size tended to increase as contract duration grew. Second and third year adjustments and average adjustments over the life of the contract had no consistent relationship with contract duration, however. (See table 6.)

Table A. Highlights of Wage and Benefit Developments

Type of adjustment	Average percent adjustment	
	1974	1975
Wage-rate settlements (1,000 workers or more):		
First-year adjustment -----	9.8	10.2
Average over life of contract -----	7.3	7.8
Wage and benefit settlements (5,000 workers or more):		
First-year adjustment -----	10.7	11.2
Average over life of contract -----	7.8	8.0
Effective wage-rate adjustment:		
Total -----	9.4	8.6
Adjustment resulting from:		
Current settlement -----	4.8	2.7
Prior settlement -----	2.6	3.7
Escalator provision -----	1.9	2.2

In the manufacturing sector, wage-rate adjustments averaged 9.9 percent in the first contract year and 8.1 percent annually over the life of the contract. Comparative adjustments in 1974 were 8.7 and 6.1 percent.

In industries other than manufacturing, adjustments averaged 10.4 percent in the first year and 7.7 percent annually over the life of the contract, compared with 10.5 and 8.0 percent, respectively, in 1974. Settlements in the construction industry averaged 8.0 percent for the first year and 7.4 percent annually over the life of the contract compared with 11.0 and 9.6 percent for 1974. Measures excluding the

construction industry, presented in table 1, indicate the construction averages had a somewhat moderating influence on the all-industries and nonmanufacturing measures in 1975. Just the opposite occurred in 1974.

The size of settlements appears to have been influenced by the possibility of additional increases under escalator clauses. Contracts containing escalator clauses, covering 35 percent of the workers under major settlements concluded during 1975, provided for annual wage-rate adjustments of 7.0 percent; contracts without escalator clauses provided for annual adjustments averaging 8.2 percent. These compare with gains of 6.1 and 9.1 percent, respectively, in 1974.

For those contracts containing COLA provisions settled during 1975, first-year gains thus far have averaged 13.3 percent; this is obtained if "cost-of-living" adjustments are added to negotiated increases. (Table 7 presents data for individual quarters.)

During 1975, new escalator provisions were adopted in 92 settlements, covering 692,000 workers, primarily in the railroad industry. Escalator clauses now cover approximately 59 percent (6.0 million) of all workers in major bargaining units.

Wage-Rate Adjustments Effective During 1975

During 1975, workers under major collective bargaining agreements received an average wage-rate adjustment of 8.6 percent, down from 9.4 percent in 1974, largely reflective of the relatively small number of workers under settlements concluded during the year. (See tables 8 and 9.) Wage-rate changes going into effect during 1975 consisted of gains under the settlements discussed above, plus scheduled adjustments during the period (deferred increases) resulting from contracts negotiated in earlier years, and wage changes resulting from the operation of escalator clauses. Of the 8.6 percent effective adjustment, 2.7 percent was attributable to current bargaining, 3.7 percent reflected the influence of deferred changes, and 2.2 percent

was the result of escalator adjustments. These figures reflect wage changes prorated over the entire 10.1 million workers under the private nonfarm agreements, including those not receiving an adjustment. During the fourth quarter of 1975, the average effective wage-rate adjustment was 1.5 percent.

Bargaining Activity and Wage-Rate Changes, First Quarter 1976

During the January-March 1976 period, 155 major agreements, covering 942,000 workers, are due to expire or permit reopening of wage provisions. Key agreements are in the trucking, apparel, and construction industries.

At least 1.1 million workers will receive deferred wage-rate increases averaging 4.9 percent during the current quarter under provisions of existing major collective bargaining agreements.

In addition, 3.1 million workers will be affected by cost-of-living escalator reviews, principally in the auto, railroad, and steel industries. Approximately 73 percent of these workers are under provisions calling for quarterly reviews and 23 percent come under semiannual reviews. (Annual reviews account for the remainder.)

These data are revisions, based upon more complete information, of materials on contract expirations, deferred increases, and escalator reviews in the December 1975 and January 1976 issues of the Monthly Labor Review.

Explanatory Note About the Data

This summary is confined to production and related workers in manufacturing and to nonsupervisory workers in the nonmanufacturing sector of the economy, in collective bargaining units covering 1,000 workers or more. Although approximately one American worker in five in the total labor force is a union member, only one in nine is included in an agreement covering 1,000 workers or more in the private nonfarm sector. The data are not necessarily indicative of wage-rate changes in collective bargaining situations of less than 1,000 workers.

Table 1 summarizes findings on settlements concluded in 1975 and also presents comparable data for 1974. (Data for individual quarters are presented in table 8.) Distributions of workers in tables 2-5 are based on the average change for all workers covered by the individual settlements. Means and medians are computed from these averages, which are weighted by the number of workers affected. Measures of average wage "adjustment" are affected by increases, decreases, and settlements leaving wages unchanged. Separate measures, limited only to those settlements where wages were increased, will be included in a final report for the year. Measures of current settlements generally omit possible changes in wages resulting from escalator clauses (except where guaranteed in the contracts). Interim adjustments of existing contracts are not treated as new settlements, but are considered in the computation of effective wage adjustments. Contract duration runs from the effective date of the agreement to the expiration date or first wage reopening date if applicable.

Information in this release is based upon incomplete data. A final summary to appear in a future issue of the Bureau's monthly periodical, Current Wage Developments, will incorporate information on additional settlements that occurred during the period and, in the case of the effective wage change series, wage increases that went into effect but for which details were not available at the time this release was prepared. The final summary for 1974 appears in the April 1975 issue.

PRELIMINARY

Table 1. Percentage changes in wages and benefits, major collective bargaining settlements, 1974, and 1975

(Mean adjustments)

Measure	1974 Average adjust- ments	Average adjust- ments	1975 Number of workers (in 000's)
<u>Wage rates alone: (1,000 workers or more)</u>			
First-year changes in --			
All industries -----	9.8	10.2	2,823
Contracts with escalator clauses -----	9.5	12.3	986
Contracts without escalator clauses ----	10.2	9.1	1,837
Manufacturing -----	8.7	9.9	756
Contracts with escalator clauses -----	8.5	8.8	211
Contracts without escalator clauses ----	9.1	10.3	546
Nonmanufacturing -----	10.5	10.4	2,066
Contracts with escalator clauses -----	10.5	13.3	775
Contracts without escalator clauses ----	10.5	8.6	1,291
Construction -----	11.0	8.0	838
All industries excluding construction ---	9.5	11.2	1,985
Nonmanufacturing excluding construction -	10.2	12.0	1,229
Annual rate of change over life of contract in--			
All industries -----	7.3	7.8	2,823
Contracts with escalator clauses -----	6.1	7.0	986
Contracts without escalator clauses ----	9.1	8.2	1,837
Manufacturing -----	6.1	8.1	756
Contracts with escalator clauses -----	5.6	5.9	211
Contracts without escalator clauses ----	8.0	8.9	546
Nonmanufacturing -----	8.0	7.7	2,066
Contracts with escalator clauses -----	6.6	7.3	775
Contracts without escalator clauses ----	9.3	7.9	1,291
Construction -----	9.6	7.4	838
All industries excluding construction ---	6.7	8.0	1,985
Nonmanufacturing excluding construction -	7.2	7.9	1,229
<u>Wages and benefits combined: (5,000 workers or more)</u>			
First-year changes in --			
All industries -----	10.7	11.2	1,687
Contracts with escalator clauses -----	10.6	13.7	711
Contracts without escalator clauses ----	10.9	9.3	976
Construction (1,000 workers or more) ----	10.8	8.2	838
Annual rate of change over life of contract in --			
All industries -----	7.8	8.0	1,687
Contracts with escalator clauses -----	7.1	7.5	711
Contracts without escalator clauses ----	9.4	8.3	976
Construction (1,000 workers or more) ---	9.2	7.5	838

NOTE: Data for 1974 are final. Because of rounding, sums of individual items may not equal totals.

PRELIMINARY

Table 2. Annual rates of adjustment in hourly cost of wages and benefits in settlements covering 5,000 workers or more, 1975

Annual rate	Percent of workers affected--	
	Adjustments averaged over life of contract 1/	First-year adjustments 2/
All actions -----	100	100
No change -----	1	2
Decreases -----	-	-
Increases -----	99	98
Under 6 percent -----	16	12
6 and under 8 percent -----	45	13
8 and under 10 percent -----	19	15
10 and under 12 percent -----	12	14
12 and under 14 percent -----	8	10
14 and under 16 percent -----	3/	13
16 percent and over -----	-	22
Number of workers (in thousands) -----	1,687	1,687
Mean adjustment (percent) -----	8.0	11.2
Median adjustment (percent) -----	7.8	11.3

1/ Based on the estimated adjustment in wage and benefit levels by the end of the contract period and assumes equal spacing of wage and benefit changes over the life of contract. Essentially measures the permanent or longrun adjustment in hourly levels resulting from the settlement.

2/ Measures changes in wages and benefits decided upon during the period and effective within 12 months from the effective date of the agreement.

3/ Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals.

PRELIMINARY

Table 3. Annual rates of wage adjustment over the life of the contract in settlements covering 1,000 workers or more, 1975

Annual rate ^{1/}	Percent of workers affected--		
	All industries	Manufacturing	Nonmanufacturing
All actions -----	100	100	100
No wage changes -----	3	3	3
Decreases -----	-	-	-
Increases -----	97	97	97
Under 4 percent -----	7	6	7
4 and under 6 percent -----	10	14	9
6 and under 8 percent -----	42	29	47
8 and under 10 percent -----	17	20	16
10 and under 12 percent -----	11	14	11
12 and under 14 percent -----	8	13	6
14 and under 16 percent -----	2	2	2
16 percent and over -----	1	1	1
Number of workers (in thousands) -----	2,823	756	2,066
Mean adjustment (percent) -----	7.8	8.1	7.7
Median adjustment (percent) -----	7.3	7.5	7.3

^{1/} Percent of estimated average hourly earnings, excluding overtime. Presents the total amount of the wage adjustment over the life of the agreement, reduced to an annual rate.

NOTE: Because of rounding, sums of individual items may not equal totals.

PRELIMINARY

Table 4. First-year wage-rate adjustments in settlements covering 1,000 workers or more, 1975

Amount ^{1/}	Percent of workers affected--		
	All industries	Manufacturing	Nonmanufacturing
All actions -----	100	100	100
No wage changes -----	4	3	4
Decreases -----	-	-	-
Increases -----	96	97	96
Under 4 percent -----	6	2	8
4 and under 6 percent -----	6	8	6
6 and under 8 percent -----	15	24	12
8 and under 10 percent -----	18	16	18
10 and under 12 percent -----	14	18	12
12 and under 14 percent -----	10	13	8
14 and under 16 percent -----	21	5	27
16 percent and over -----	6	10	5
Number of workers (in thousands) -----	2,823	756	2,066
Mean adjustment (percent) -----	10.2	9.9	10.4
Median adjustment (percent) -----	9.9	9.2	9.9

^{1/} Percent of estimated average hourly earnings, excluding overtime. Presents changes in wage rates decided upon during the period and effective within 12 months of the effective date of the agreement, and the amounts are the average change for all workers covered by the settlement.

NOTE: Because of rounding, sums of individual items may not equal totals.

PRELIMINARY

Table 5. Annual rate of adjustment in wages and wages and benefits in construction settlements ^{1/}, 1975

Annual rate	Percent of workers affected--			
	Wages and benefits		Wages alone	
	Adjustments averaged over life of contract	First-year adjustments	Adjustments averaged over life of contract	First-year adjustments
All actions -----	100	100	100	100
No change -----	2/ ^{2/}	2/ ^{2/}	6	7
Decreases -----	-	-	-	-
Increases -----	100	100	94	93
Under 4 percent -----	11	13	10	12
4 and under 5 percent -----	6	3	5	4
5 and under 6 percent -----	13	14	10	8
6 and under 7 percent -----	13	7	12	7
7 and under 8 percent -----	16	17	14	11
8 and under 9 percent -----	15	11	9	13
9 and under 10 percent -----	6	12	6	7
10 and under 11 percent -----	5	3	14	11
11 and under 12 percent -----	5	5	4	3
12 percent and over -----	9	15	10	17
Number of workers (in thousands)-	838	838	838	838
Mean adjustment (percent) -----	7.5	8.2	7.4	8.0
Median adjustment (percent) -----	7.4	7.7	7.3	8.0

^{1/} This table is based on settlements affecting 1,000 workers or more. Only settlements affecting 5,000 workers or more are included in table 2.

^{2/} Less than 0.5 percent.

NOTE: Because of rounding, sums of individual items may not equal totals.

PRELIMINARY

Table 6. Average rate of wage adjustments in settlements covering 1,000 workers or more reached during 1975, by duration 1/ of contract

Item	1 year contracts	2 year contracts	3 year contracts	All contracts 2/
Number of settlements -----	196	234	325	763
Number of workers (000's) ---	641	711	1,419	2,823
Average duration (months) ---	11.8	24.0	35.9	27.6
Percent adjustment in --				
First contract year -----	7.3 _{3/}	10.6	11.3	10.2 _{3/}
Second contract year -----	0.3 _{2/}	7.9 _{4/}	5.3	6.2 _{2/}
Third contract year -----	-	0.0 _{4/}	5.1	4.8 _{4/}
Average over life of contract -----	7.5	9.2	7.2	7.8

1/ For purposes of this analysis, contract duration is defined as follows:
 1 year - 6 and under 18 months; 2 years - 18 and under 30 months;
 3 years - 30 and under 42 months.

2/ Includes 8 settlements covering 51,450 workers with a duration of 42 months or more which are not shown separately.

3/ Average is based only on settlements with a duration greater than 12 months.

4/ Average is based only on settlements with a duration greater than 24 months.

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PRELIMINARY

Table 7. Comparison of average first-year wage settlements covering 1,000 workers or more, before and after escalator adjustments, individual quarters, 1974 to date
(in percent)

Year and quarter	Settlements with escalator provisions				Settlements without escalator provisions		All settlements	
	Number of workers affected (000's)	First-year settlement	Combined first-year and escalator adjustments	Quarters of escalation included in data	Number of workers affected (000's)	First-year settlement	First-year settlement	Combined first-year and escalator adjustments
1974 ---	I	333	7.0	11.5	4	349	7.1	9.3
	II	971	9.2	14.5	4	923	9.2	11.9
	III	1,306	10.3	11.3	4	628	11.2	11.9
	IV	438	10.1	12.4	4	192	10.3	11.9
1975 ---	I	347	13.3	13.9	4	210	12.5	12.9
	II	134	11.2	12.2	3	500	9.8	10.0
	III	243	13.2	13.3	2	542	10.0	10.0
	IV	108	12.5	12.7	1	135	11.5	11.6

NOTE: Four quarters are required to show the full effect of escalator adjustments for this series. Where less than 4 quarters are shown, figures are incomplete. The escalator adjustments are influenced by the rate of increase in the Consumer Price Index, the type of escalator formula, and the frequency of reviews. The sums of quarterly employment totals on this table for 1975 do not equal those shown earlier in this report as individual quarterly figures have not been revised to incorporate settlements whose terms were recently obtained. These settlements have, however, been incorporated into the data covering the full year. The quarterly data for 1975 will be revised at a later date and incorporated into an annual report, to appear in Current Wage Developments.

It should be noted, that the data contained in this table refer solely to wage rates which must be distinguished from employee earnings. Because wage-rate adjustments--such as adjustments under escalator clauses--may not be in effect throughout a period, the rise in wage rates over a given period may not reflect the changes in earnings actually received by workers during that period. For example, if a worker gets one escalator adjustment of 4 percent during a year, and if the adjustment is made midway in the year, his earnings will only increase 2 percent over the year (assuming other factors remain constant) even though his wage rate has risen by 4 percent.

PRELIMINARY

Table 8. Quarterly wage and benefit adjustments, third quarter 1974 to date
(in percent)

Measure	1974			1975				
	III	IV	Average or total 1/	I	II	III	IV	Average or total 1/
<u>Wage settlements:</u>								
Wage-rate settlements (situations with 1,000 + workers):								
First-year adjustment -----	11.2	10.3	9.8	12.5	9.8	10.0	11.5	10.2
Average over life of contract-	7.7	7.2	7.3	7.7	8.3	7.9	8.1	7.8
Wage and benefit settlements (situations with 5,000 + workers):								
First-year adjustment -----	11.9	14.6	10.7	13.0	9.3	11.4	14.2	11.2
Average over life of contract-	8.0	8.7	7.8	7.5	7.7	8.6	8.8	8.0
<u>Effective wage-rate changes:</u>								
Total effective adjustments ---	3.4	1.6	9.4	1.7	2.1	3.3	1.5	8.6
Adjustment resulting from								
Current settlement -----	2.0	0.8	4.8	0.6	0.7	0.7	0.5	2.7
Prior settlement -----	0.9	0.3	2.6	0.6	1.1	1.5	0.5	3.7
Escalator provision -----	0.5	0.5	1.9	0.4	0.3	1.0	0.4	2.2
Total effective adjustments:								
Manufacturing -----	3.0	2.0	10.3	1.8	2.1	2.8	1.6	8.4
Nonmanufacturing								
excluding construction ---	3.9	1.4	8.3	1.9	1.2	4.2	1.7	9.1
Construction -----	3.2	0.8	9.1	0.8	4.5	2.1	0.6	8.1
Transportation and public								
utilities -----	4.7	0.6	7.6	1.7	0.8	5.2	1.7	9.5
Wholesale and retail trade --	3.1	1.9	10.3	2.4	2.1	3.0	1.5	9.1
Services -----	2.5	1.6	7.0	2.0	0.7	2.1	1.4	6.3

1/ Wage and wage and benefit settlements are annual averages. The effective wage-rate adjustment for the year is the total of the four-quarter change.

NOTE: Because of rounding and compounding in the effective wage change series, sums of individual items may not equal totals. Data for 1974 are final.

PRELIMINARY

Table 9. Annual rate of change in compensation, 1973-1975

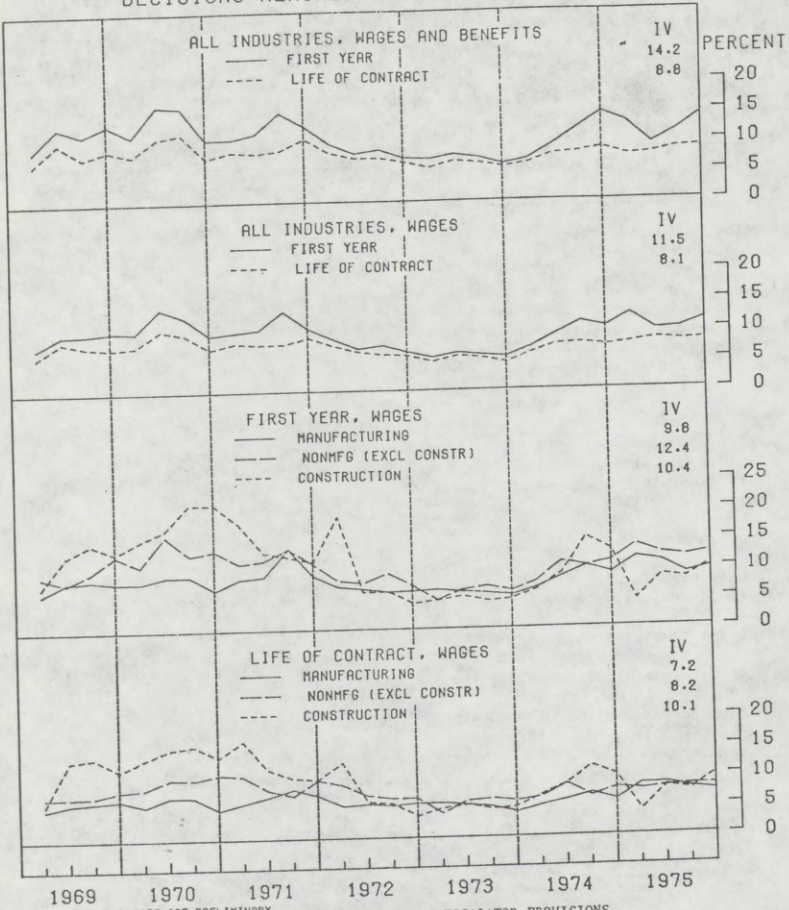
(Mean adjustments)

Measure	Annual rate of adjustment (in percent)		
	Full year		
	1973	1974	1975
I. Major Collective Bargaining Settlements:			
Wages: (1,000 workers or more)			
First-year wage-rate adjustment -----	5.8	9.8	10.2
Wage-rate adjustments over life of contract -----	5.1	7.3	7.8
Effective wage adjustment -----	7.0	9.4	8.6
Wages and benefits combined: (5,000 workers or more)			
First-year adjustment -----	7.1	10.7	11.2
Average over life of contract -----	6.1	7.8	8.0
II. Aggregate Measures: 1/			
Total compensation per hour, all employees, private nonfarm economy--	7.8	9.8	N.A.
Average hourly earnings, production or nonsupervisory workers, private nonfarm economy -----	7.0	8.3	6.9
Adjusted for overtime (in manufacturing only) and interindustry employment shifts -----	6.7	9.3	8.1

1/ Data for full years measure changes from fourth quarter of prior year to fourth quarter of current year. All changes are computed from seasonally adjusted data.

N.A. indicates data are not available.

NEGOTIATED WAGE CHANGES (AVERAGE ANNUAL PERCENT CHANGE IN DECISIONS REACHED DURING QUARTER)



IMPACT OF TECHNOLOGY

Senator STEVENS. Let me say to you that I appreciate—and I think the Senator from West Virginia has mentioned your courtesy in meeting with him—your courtesy in meeting with me to discuss the problems that exist in areas such as I represent the largest State in the Union with the smallest population per square mile in the Nation.

I am extremely worried about the impact of technology and what it is doing to our Postal Service system as we look at the future in terms of the development of personal communications.

Now don't misunderstand me; I am not against that development. But what has occurred, particularly in relationship to Alaska and Hawaii, and as I have pointed out to you, is that we are still not on an interstate rate basis for telephone communications.

If the Postal Service is to be replaced gradually by telecommunications—which, apparently, it seems to be—it is going to leave those of us who come from rural, remote areas hanging on limbs, because we're still paying the old rates at more than \$3 a minute, and you can now pick up the phone and call anywhere in what we call the "South 48" is in the evening for something like 90 cents.

When we use our telecopiers, as we do to deal with our own offices in Alaska, the Senate is compelled to give me an allowance and my colleagues an allowance almost twice that of any other State—despite population—because of the costs of that service to remote areas.

I say that as a background in inquiring of you has the Postal Service explored the concept of utilizing telecommunications for personalized communication? Are we who live in remote areas going to find a way to fit into this advanced technology so that I for example might find the time when an individual living in a remote Eskimo village in my State can, in fact, use telecopiers on a personal basis through the postal system?

You mentioned to the Senator from West Virginia the interest of the Postal Service to allow the public to utilize copying machines in post offices which I appreciate and think is a valid public policy decision. But have you explored utilizing some concept such as the telecopier on a mass basis for individual citizens?

Mr. BAILAR. We have done some work in this connection, Senator. We have explored it. We have actually had a test of a facsimile system between New York and Washington.

But as a practical matter, I would have to tell you that we are a long ways from having it feasible for use of the Postal Service. And when that day does come, I think our implementation will start with the areas where there would be some volume on it. And to reach into the Eskimo villages of Alaska, I am afraid, is a long ways off.

Now, beyond that, I would like Mr. Ellington to comment.

Mr. ELLINGTON. Senator, just to underscore first your concern, I would like to note that we, too, are quite concerned inasmuch as 70 percent of the first-class mail today is in what we call "transaction" mail, and that 50 percent of first-class mail is, in fact, bills and payments.

Now, right away, in those statistics, you can appreciate how vulnerable we feel long term to the inroads of electronics. We are engaged in some very rudimentary and preliminary exploration in our research and development operation, which we call a "systems defini-

tion study." And what this is expected to be produced in a matter of several months is a series of alternative configurations involving electronic transmission of hard-copy messages across a spectrum that could range from relatively high-cost facsimile transmission to the other end of the spectrum, which would be relatively low-cost mass electronic transmission.

We are exploring these alternatives. And what we expect to get out of this initial effort is some data on which we could base some dialog both with people like yourself and, of course, with the regulatory agencies, because there are some very complex regulatory issues that are caught up in this, as I know you appreciate.

But we are attempting to, at least at this stage, lay the groundwork for future decisions. But even those decisions, based on reasonable analysis, are still probab'y close to a year off.

But we are not ignoring this field, and I hope we will be in a better position about that time to give you a more definitive answer.

Senator STEVENS. The Postal Service has always moved ahead with each technological development particularly in terms of transportation, whether it was the Pony Express, mail coach, rail car deliveries, or to the air mail concept—each time communications has been modernized; always stimulated by the Post Office.

As I see the future, now as we move into telecommunications, the problem may well be that the rural part of America will be isolated from the communications pattern if the Postal Service itself does not get involved in the concept of the computer-telecommunications transactions.

I intend to ask the folks of the social security system, for example, when they appear before us with their request for appropriations, how they intend to handle rural America with this new social security delivery system.

That is just one symptom of the problem. The total problem is that if we end up with a situation whereby rural America is dependent upon the Postal Service and the metropolitan areas are dependent upon computer services and telecommunications. The urban areas will then be in a position where they will more and more refuse to accept the postage stamp-postage rate concept, resulting in a total deterioration of the existing postal system for rural areas.

I am extremely worried about this and I think all of us who represent people living in rural areas must be. But it seems to me we must have some assurance that the Postal Service is going to look into incorporating a new telecommunications capability into its system just as it did during prior advances in transportation.

Let me add one last thing as I go, Mr. Chairman. It appears to me that we are oversensitive to this recent increase in postage rates. I have had some correspondence prior to that rate increase going into effect. However, since it has gone into effect, I have had none.

We have had correspondence, as Members of Congress, regarding the increase in the cost of petroleum until the public, as a whole, got the message that there is nothing cheap, in terms of energy, left in this country.

Now, service—what did you say your labor costs were?

Mr. BAILAR. About 85 percent of our total, Senator.

Senator STEVENS. We all recognize the inflationary spiral that has taken place. The postal workers have to pay the increased costs of fuel, and shelter, and all other living expenses just like anybody else.

I don't think that once the American public understands it is going to object to paying the type of wages you have negotiated, which are as I understand about 50 percent of the comparable wages negotiated in the private sector.

So, I think it is our duty to try to help you enunciate what is happening and the changes that are happening. And that is why I asked some of the questions that I hope you will respond to.

The CHAIRMAN. Your other questions will be a part of the record, along with your answers.

[The aforementioned questions and answers were subsequently supplied for the record:]

Question 1. Recently, the Council on Wage and Price Stability recommended that the Private Express Statutes be abolished. Now, you mentioned this recommendation in your prepared statement. Would you be more specific in what effect this action, the abolishment of the Private Express Statutes, would have on the Postal Service as now constituted?

Answer. It is our belief that a relaxation of the Private Express Statutes would result in "cream skimming" by private mail firms. The main market target for private firms would be the lucrative business from large volume mailers in high density areas.

The Postal Service would be left with the less profitable portion of the business, such as non-machinable letters from private citizens and delivery to rural areas. At the same time we would have to maintain our basic collection, distribution and delivery systems to handle the mail that would not be attractive to our competitors.

Since a large part of our costs do not vary with volume, the decline in volume which would be inevitable if the statutes were abolished would not proportionately reduce total postal costs. The end result would be that postage rates would be much higher.

One preliminary study indicates that as much as one third of our present mail volume might be vulnerable to diversion to alternate carriers if the Statutes were repealed. The effect of that diversion on rates for the remainder of the mail would be devastating. The same study suggests that five years after repeal of the statutes, the first class mail rate could be as much as 50% higher than they would be if the statutes were maintained.

Question 2. The Wage and Price Council's recommendation was based on three concerns, one of which was the need for greater managerial efficiency and innovation. What specific steps has the Postal Service taken in these two areas?

Answer. Our most significant recent steps are summarized in the Postmaster General's opening statement. We have actively pursued improvements in "managerial efficiency and innovation" on other fronts as well. For instance our managers are better trained than in the past and are now selected on the basis of merit, ability, and experience alone. We have a new comprehensive training program, the Management Action Series, which provides excellent training for postmasters and supervisors before they begin their new jobs. Postal managers are far more concerned with efficiency of operation and are better trained to affect efficiencies than ever before.

As to "innovation," in the past several years we have brought several new products and services on line, such as Express Mail and Mailgram. We have also implemented new programs for productivity improvement. The Retail Analysis Program is another innovative effort for the Postal Service. The Letter Carrier Route Evaluation System, an innovative approach to structuring a carrier's route, is now in arbitration.

Managers throughout the country today are encouraged to seek new solutions to operational problems—and they are responding to that encouragement. Many managers have tried the "speedy line" approach to directing lobby traffic. They have made changes in work flow patterns and staffing, on their own initiative, to effect a more efficient operation. They enthusiastically accepted the idea of selling padded shipping bags for their customers' convenience. They have developed special techniques for planning and executing successful Christmas operations.

Question 3. The Wage and Price Stability Council's report also stressed the need for greater productivity of its postal employees. Now, I know in comparing our nation with others we have the most efficient postal workers based upon the figures in the most recent Postmaster General's report. However, I understand

that the operating cost of the Postal Service has risen 28 percent and worker productivity 13 percent since 1968. What are the Postal Service's plans for increasing worker productivity?

Answer. Productivity has indeed increased nearly 13% since 1968. Operating costs have increased at a considerably faster rate, due primarily to inflation and the fact that postal employees were in a catch-up stage during that period in order to make their salaries comparable to similar jobs in the private sector, as required by law.

We are actively involved in a number of efforts to improve productivity. We have increased mechanization. The Postal Service now has approximately 560 multi-position and 460 single-position letter sorting machines deployed. Another 150 machines are on order. Development work on a new, faster facer/canceler machine is nearly complete. For the first time, the Postal Service will begin the automatic processing of "flats" this year. Twenty-two flats sorting machines are now on order.

The Letter Carrier Route Evaluation System holds great promise for improving productivity in the delivery function. Implementation plans for this system are ready to be put into effect as soon as the arbitration case is settled.

Specially trained teams are surveying large post offices as part of our Productivity Improvement Program. Their efforts toward improved work methods and work flow have resulted in demonstrated productivity gains.

The Retail Analysis Program is aimed partially at more efficient scheduling and staffing of our "window" operations. Our field units are actively involved in this program and have been quite successful in capturing productivity gains in an area which was long neglected.

In light of our declining volume situation we have placed limitations on hiring and on overtime usage and have implemented a program of employee reassignments. These efforts are necessary so that we do not become over-staffed in certain offices and thus lose some of the productivity gains we have made in the past several years.

Question 4. One of the requirements of the Postal Reorganization Act of 1970 was that each mail class should pay its own way. How successful have you been in meeting this requirement?

Answer. The Postal Reorganization Act requires that postal rates for each category of mail be fixed to raise sufficient revenue to cover those costs attributable to that type of mail plus other costs reasonably assignable to each class. Postage rate structures have been designed to meet this requirement. We have experienced serious shortfalls in revenues, i.e., our rates have not kept pace with our costs, because of the "regulatory lag" associated with the rate-making process. Save for this lag factor, we have been meeting the requirement and will continue to do so. It should be noted, however, that the Act provides for preferential rates for "phasing eligible" categories of mail and for certain non-profit mail and that these preferential rates constitute significant exceptions to the "pay your own way" principle of the Act.

Question 5. Many of us in Congress have received a great number of complaints from our constituents regarding third class or, as erroneously referred to, "junk" mail. It is my understanding that at one time this was only one of two classes of mail that actually paid more than its way. Can you tell me, is this still so? And if so, why is it so?

Answer. The rates currently in effect for third class bulk rate mail cover those Postal Service costs "attributable" to such mail as well as other costs reasonably assignable to it. The same is true for other mail classes except for the nonprofit categories and those rates subject to phasing, for which Congressional appropriations are provided. As our costs rise with the passage of time, current rates, if unchanged, will not fully cover our costs. Prior to the Postal Reorganization Act, when postage rates were set by the Congress, first class and third class postage rates were considered to cover the costs allocated to these respective services.

Question 6. It is my understanding that mail volume from the Federal Government has decreased, primarily because various agencies have chosen other means to deliver their mail. Can you tell me the two or three top agencies that have increased the use of private communications carriers at the expense of the Postal Service? To what degree has the reduction in the volume of government mail affected the Postal Service?

Answer. Government mail volume has increased every year since Postal Reform. For FY 1975, mail volume increased 2.7% over FY 1974. Although mail

volume has increased each year, the increase has been dampened by the following efforts:

1. Generally better mail management encouraged by USPS since 1972 and which has led to a lower cost mail mix;

2. The diversion of Parcel Post to UPS by DOD and GSA where there are rate advantages;

3. The implementation of Electronic Funds Transfer for Social Security payments by Treasury on behalf of the Social Security Administration (substantial reductions in revenue expected in late 1970's);

4. Use of armored car services by Treasury for shipping savings bonds and currency and by Department of Agriculture for shipping food stamps.

We estimate the impact of reduced government mail volume on the Postal Service at this time to be between \$7-10 million in lost revenues.

Question 7. The Postal Reorganization Act calls for postal employees' compensation to be comparable to that of those workers in the private sector doing similar or equivalent work. How does the postal employee's wages and productivity compare with that say of UPS (United Parcel Service)?

Answer. The Postal Service does not have productivity data for UPS. An analysis of Package-Driver rates for 10 UPS agreements shows that the progression time from starting rate to top rate varies from 60 days in the Northern California contract to 210 days in the New York City contract. The full breakdown on progression time is as follows:

	<i>Days</i>
Northern California -----	60
Chicago, Ill. -----	90
New England; Atlantic Area; central Pennsylvania; central conference (Ohio Rider) -----	120
Western Pennsylvania -----	165
Upstate New York; Southern California -----	180
New York City, N.Y. -----	210

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

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

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

COMPARISON OF STRAIGHT-TIME RATES (INCLUDING COLA) FOR PACKAGE-DRIVERS IN 10 UNITED PARCEL SERVICE CONTRACTS WITH THOSE OF PS-5 CRAFT EMPLOYEES IN THE POSTAL SERVICE, FEBRUARY 1976 (STRAIGHT-TIME RATES INCLUDING COLA)

	Start- ing rate	After 30 days	After 60 days	After 75 days	After 90 days	After 120 days	After 150 days	After 165 days	After 180 days	After 210 days
New York City, N.Y. -----	\$5.263	\$5.606		\$5.95		\$6.293		\$6.637		\$6.98
Northern California -----	7.105	7.255	\$7.405							
New England -----	5.58	5.88	6.28		\$6.68	7.08				
Atlantic area -----	5.38	6.08	6.42		6.76	7.11				
Upstate New York -----	5.64	5.89	6.14		6.39	6.64	\$6.89		\$7.14	
Western Pennsylvania -----	5.40	6.09		6.43		6.78				
Central Pennsylvania -----	5.67	6.27	6.62		6.97	7.22				
Chicago, Ill. -----	6.645				7.145					
Central conference (Ohio rider) -----	6.21	6.46	6.71		6.96	7.21				
Southern California -----	5.895	6.045							7.97	

Note: Postal Service—\$5.50 minimum rate. Average rate full-time employees \$6.54 (equal to average step of 10.2 in 12 step progression). Maximum rate \$6.74 after 8 yr service.

Question 8. According to the Council of Wage and Price Stability, the productivity of the postal employee, although increased from 1970 to 1975, actually decreased .85 percent from 1973 to 1975, this contrasted by the increase of 3.85 percent from 1970 to 1973. Can you tell me what was the cause of this decrease in the last two years in worker productivity?

Answer. Productivity, measured as pieces of mail per man year, has demonstrated the following trend since 1970:

Fiscal year	Pieces/man year	Percent change
1970.....	116,930	1.8
1971.....	120,212	2.8
1972.....	123,158	2.6
1973.....	131,079	6.4
1974.....	127,977	(2.4)
1975.....	128,764	.6

Fiscal year 1973 was somewhat of an aberration in a steady trend upward in productivity. The tremendously high rate of increase during that year creates the appearance of a decline in 1974 and 1975, when in fact the trend is basically upward.

Fiscal year 1973 was the year of the very stringent cost reduction program which included a near-absolute hiring freeze. Employment dropped drastically by 23,000 persons, while mail volume increased. The net result was a serious deterioration of service. That was the price of that particular productivity increase.

In the years following FY 1973 the Postal Service improved the quality of service again while making steady improvements in productivity.

Question 9. You mentioned in your testimony that your labor agreement will cost about 4 percent a year plus cost-of-living adjustments. How does this compare to what is happening in private industry?

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

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

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

Percent Changes in Wages Only, Major
Collective Bargaining Settlements, 1975
(1,000 workers or more)

<u>Measure</u>	<u>*Average Adjustments</u>	<u>Number of Workers</u>
First-year changes in--		
All industries	10.2%	2.8 Million
Manufacturing	9.9%	.8 Million
Non-manufacturing	10.4%	2.0 Million
Annual rate of change over life of contract--		
All industries	7.8%	2.8 Million
Manufacturing	8.1%	.8 Million
Non-manufacturing	7.7%	2.0 Million

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

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

Attachment B

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

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

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

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

Attachment C

RECENT SETTLEMENTS IN THE PRIVATE SECTORGeneral

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.

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

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

July 1975 - Maritime - Longshoremen (12,000)

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

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

Wage increases total 34.6% or 11.5% per year.

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

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

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

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

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

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

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

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

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

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

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

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

ATTACHMENT D

SUMMARY OF MAJOR CONTRACT SETTLEMENTS IN THE PRIVATE SECTOR, JULY 1974 TO DECEMBER 1975

Effective date of contract	Contract settlement	Duration of contract	Estimated percent increase in straight-time pay for duration of contract ¹	Estimated percent increase of total package (including benefits) for duration of contract ¹	Estimated average percent per year in straight-time pay	Estimated average percent increase per year of total package (including benefits)
July 1974.....	Telephone workers.....	3 yr.....	34.1	39.0	11.4	13.0
November 1974.....	Bituminous coal.....	do.....	36.0	54.0	12.0	18.0
Do.....	UPS-N.Y. City.....	do.....	28.2	30.0	9.4	10.0
January 1975.....	Oil refineries.....	2 yr.....	26.8	28.6	13.4	14.3
January to July 1975.....	Railroads (7 unions).....	3 yr.....	39.0	41.1	13.0	13.7
March 1975.....	Con Edison.....	25¼ mo.....	19.1	21.2	9.0	10.0
May 1975.....	Anthracite coal.....	3 yr.....	40.2	55.2	13.4	18.4
June 1975.....	Cement industry.....	do.....	31.2	36.0	10.4	12.0
July 1975.....	USPS.....	do.....	² 23.2	² 23.1	7.7	7.7
Do.....	Pacific maritime association.....	do.....	34.6	NA	11.5	NA
August 1975.....	Retail food clerks.....	do.....	30.0	NA	10.0	NA
November 1975.....	General dynamic electric boat.....	43 mo.....	40.0	NA	11.2	NA
December 1975.....	Film technicians.....	42 mo.....	50.5	NA	14.4	NA

¹ Estimated increases include actual COLA adjustments to date and future adjustments based on 6 percent annual increase in CPI.

² Original estimate of 21.4 percent was based on CPI projection of 6 percent per year through March 1976 and 5 percent per year thereafter. The above estimate has been adjusted to conform to the projection used for other industries shown on this report; specifically inclusion of 7 cents COLA as of Nov. 8, 1975 and CPI projected at 6 percent per year from September 1975 to March 1978.

NA—Not available.

Sources: Current wage developments and employment and earnings, Bureau of Labor Statistics; Bureau of National Affairs; union contracts, and industry trade publications.

Question 10. Recently an editorial in Time Magazine claimed that the last Postal Service labor agreement was "approved by the White House." Is this true?

Answer. No. President Gerald F. Ford responded to the December 12, 1975 letter from TIME, Inc. Chairman Andrew Heiskell, his response appearing in TIME of February 2, 1976. On this issue, he said:

"In keeping with the Postal Service's new independent status, the White House neither approved nor disapproved the recent postal labor settlement."

Question 11. Where have the major cost increases for the Postal Service occurred in the past few years?

Answer. The Postal Service is labor intensive and about 85% of its total costs is for labor. The changes in operating expenses for the period FY 1973 through FY 1975 are summarized below:

INCREASE IN OPERATING EXPENSE

(In millions)

	1974 over 1973	1975 over 1974
Total.....	\$1,362	\$1,455
Salaries (including COLA).....	948	848
Benefits ¹	285	411
Subtotal.....	1,233	1,259
Transportation.....	64	80
All other.....	65	116

¹ Encompasses unfunded civil service retirement liability, workers' compensation and collective bargaining agreement benefits.

Question 12. The Social Security Administration is now using an electronic transfer system to deposit annuity checks. Is this a preview of future financial transactions and if so, how will it affect the U.S. mails?

Answer: It may well foreshadow the manner in which financial transactions will be handled in the future.

There are 32.5 million Social Security recipients in this country, each receiving a check every month. That represents a potential loss of 390 million pieces of mail each year to electronic funds transfer systems and it is only the tip of the iceberg.

Today nearly 60% of all first class mail is business-related transactions and another 35% is correspondence. Both are vulnerable to electronic funds and message transfer systems. It is difficult to forecast the timing and absolute magnitude of the impact these systems would have on the Postal Service; however, a diversion of as much as 25% of First class volume would cause a revenue loss of nearly \$2 billion annually at current rates.

Senator STEVENS. Well, I want to congratulate you Mr. Bailar. There is only one problem that I have, and that is your concept about partisan influence, in saying that it no longer has an impact on the Postal Service.

"I smell some partisan moves around. Don't misunderstand. Not my good friend Senator McGee.

The CHAIRMAN. He is talking about the President now.

Senator STEVENS. No; I am not, either.

I am talking about people who apparently want to dismantle this service in preparation for what they think might be a partisan victory in the fall of this year. I don't see that partisan victory.

But in any event, if it happens I want to serve notice on you and on everybody concerned that the lack of partisan impact on Postal Service that you mentioned is going to continue.

Mr. BAILAR. Well, I am very clear on that, Senator. I don't have any question about my responsibilities.

Senator STEVENS. I think we have some friends on the other side of the Capitol who would like to change the current postal system, and I, for one, am going to do my best to see that it is not changed until it has had an adequate test. Because I am afraid that what we have a habit of doing, such as in the medical field, is changing the system before the whole country has readjusted to the previous change.

As a consequence, no one knows what is going on. And Congress is as much to blame there as anybody. I am also talking about the revenue system, which is chaos. And Congress is as much to blame there as anybody else.

If we change this system before you Mr. Bailar get an adequate chance to test it, I predict you will have some crippling strikes like they did in Canada and elsewhere, and the breakdown will be of serious consequences to the country.

The CHAIRMAN. Let me say that we in the Senate have some advantage.

We have a great number of Postmasters General around the building, and they seem to intensify and increase in proportion to their lack of experience in postal matters.

And that is the name of the game.

And I hope we have learned, if nothing else, that there is no partisan solution to the post office problem. That is why it was put where it is. And we think that we must go on from there.

Senator STEVENS. Well, I think even the concept of returning to partisan consideration on the appointment of postmasters would be a sheer catastrophe. We were extremely fortunate when we were able to get the Congress out of that task, so that our postmaster could be

appointed on the basis of merit and not on the basis of political consideration. I think the general public is starting to understand that now.

And what's more, any idiot that wants to be involved in the appointment of postmasters, when there are 10 applicants and only one is going to succeed, ought to learn the politics of that situation, as far as I am concerned.

The CHAIRMAN. You are mindful of the realignment before we went into the new system, which required that the party that lost the election had to appoint the postmasters.

That was a serious bill, because all you got was dirt.

Thank you for your questions, Ted. And I didn't hear you mention what I thought was the only way of communication in Alaska, and that was by pipeline. I thought this was your solution to the problem.

Senator STEVENS. No.

The Postal Service has been doing a great job on the pipeline. I think some people have pointed to the costs of delivering that mail as one of the examples of increased cost to the postal system.

I tell you, when you get people to work up there at 65 below, 7 days a week, 10 hours a day, and if they can't get their letters in or their checks back out to mom and the kids, they raise hell.

And I am very appreciative of the work the Postal Service has done in making certain that that system works up there, without regard to the costs. My dear friends, because that is "communication," in its finest sense, as far as the Postal Service is concerned.

Mr. BAILAR. Thank you.

The CHAIRMAN. I was making a funny. I didn't want you to take me seriously.

Do you want to ask your questions right away, or do you want me to stall for you?

Senator BELLMON. I am ready, Mr. Chairman.

I had an opportunity to read a copy of Mr. Bailar's comments before I came. And I am sorry I do not know the ground that we have covered. If I do reach it, I hope you will cut me off here, because I don't want to be redundant.

In the first place, I would like to congratulate Mr. Bailar and the Postal Service for some very obvious progress that has been made, as laid out in his statement; particularly, I like the statement that the wage contracts for the next 3 years are about 4 percent a year.

Mr. BAILAR. Four percent plus the cost-of-living allowance, Senator.

Senator BELLMON. Four percent plus the cost-of-living.

Mr. BAILAR. Yes, sir.

Senator BELLMON. What page is that?

Mr. BAILAR. Three or four, somewhere early in the statement.

Senator BELLMON. How does that compare with the last 3 years?

Mr. BAILAR. It is on page 3.

I would say—I have not looked at it in that light, Senator. I think percentagewise it is probably down a shade, in a climate which I think has been more demanding.

I commented to Senator Stevens that there was a release just last Friday by the Department of Labor that says that the average wage negotiated in 1975 over the full life of the contract was 7.8 percent per year, 10.2 percent in the first year, excluding the cost-of-living allowance.

And I think it speaks well for the responsibility of the parties in the postal negotiations. I also have some comparisons here of the postal contract with other contracts that were negotiated in the last half of 1974 and 1975.

Senator BELLMON. Could you provide, for the record, the last 3 years, including pay granted?

Mr. BAILAR. Yes, sir.

Senator BELLMON. And the cost-of-living?

Mr. BAILAR. I would be happy to.

[The following information was subsequently supplied for the record:]

GENERAL WAGE AND COST-OF-LIVING ADJUSTMENTS IN THE 1971-73 AND 1973-75
POSTAL SERVICE LABOR CONTRACTS

In the 1971-1973 contract, there were total general increases of \$1,250 over the duration of the contract and one \$166 COLA adjustment. The total wage increases amounted to \$1,416 per annum or 16.3% above the pre-contract base salary level.

In the 1973-75 contract, there were total general increases of \$1,100 over the duration of the contract and \$1,310 in COLA adjustments. The total wage increases amounted to \$2,410 per annum or 23.1% above the pre-contract base salary level.

Type of increase	Amount of annual increases	Percent increases	Annual rate of increases (percent)
1971-73 contract:			
General wage.....	\$1,250	14.4	7.2
COLA.....	166	1.9	.95
Total.....	1,416	16.3	8.15
1973-75 contract:			
General wage.....	1,100	10.5	5.25
COLA.....	1,310	12.6	6.3
Total.....	2,410	23.1	11.55

The CHAIRMAN. Well, it is already included in the PMG's opening statements, 4 percent per year for the next 3 years in the context of the labor projections in the private sector for that same interval of time.

So this would complete the projection of where they come from, as well as where they project now.

Senator BELLMON. The criticism that I get is that the wage agreements agreed to in the Postal Service have been in excess if those throughout Government or through the rest of the economy in the past. Now, I don't know what the future will hold.

Mr. BAILAR. Senator, I think it is very moderate in regard to the major settlements in the economy as a whole. It is in excess of the amount that was granted to other Federal employees, which was 5 percent last fall. As you know, the recommendation was 8.66 percent, but it was not sustained at that level.

And I think perhaps it may seem higher in Oklahoma than in some other States because we have a nationwide wage scale.

Senator BELLMON. Well, that is the second point I wish to raise.

Will we always have a nationwide wage scale? It is very popular with the postal employees in some of the smaller communities and

it is very unpopular with the others who cannot get that kind of wage for doing work they figure is more difficult.

Mr. BAILAR. I would be reluctant to answer "always," Senator.

I think in the foreseeable future, we will probably have one. The difficulties, from a practical standpoint, of doing anything else are, first off, arriving at some equitable scale for the 30,000 locations in which postal employees work.

So, the problem could be one of being whipsawed. I think if we got into a regional labor differential, we would probably have a higher pay in some of the metropolitan areas the first year, and then the next time around, people would say, "Well, bring the rural locations up higher," and it would just go back and forth.

And I think that until there is a general move across the Federal Government for regional wage differentials, I doubt that the Postal Service would be very active in that area.

Senator BELLMON. I was also impressed by the information given in your statement that as your rates have gone up, the volume or the percent of the communications carried in the country go down.

It seems to me that if we continue to pass on the full cost of service to the users of the Postal Service, that this trend might continue.

My question is, does the Postal Service want the authority to enter into other means of communication besides the ones that you have now? You could not put, for instance, any kind of data transfer system in your present—

Mr. BAILAR. No. We are doing some research in facsimile transmission and what we refer to as "electronic mail." But I think for the moment, Senator, we have all the authority we need to conduct appropriate activities.

I don't know whether we are going to get into those areas, but we are investigating them carefully.

Senator BELLMON. Do you feel that area should be left entirely to the private sector?

Mr. BAILAR. My personal opinions are that as long as the private sector is able and willing to provide the service, that there shouldn't be any need for the Postal Service to get into it.

Senator BELLMON. I think Senator Stevens was getting into the same field, but it seems what is going to happen now is, we are going to have a system developed whereby messages can be sent between, say, Chicago and New York for very, very small costs through one of the electronic transfer boxes or whatever; and you have a message coming from my little town of Redrock to one of the towns in Mr. McGee's State of Wyoming; it may be very expensive, maybe \$1 a letter.

If we go on and see the mass of communication handled electronically, leaving only a very small volume to be handled by the Postal Service, it seems that the cost of that volume would become excessive.

PRIVATE EXPRESS STATUTES

Mr. BAILAR. I am deeply concerned about that, Senator.

I think probably the most pressing problem that the Postal Service faces on a long-range basis is the volume that we have that apparently peaked in fiscal 1974. It has gone up every year since the Depression. It was down in 1975. It is down further so far in 1976.

And, frankly, it is one of the reasons that I made a strong statement in my opening statement, in defense of the Private Express Statutes.

I think the biggest thing that can be done to preserve the universality of postal service and the nationwide uniform rate, regardless of distance carried, is to maintain the Private Express Statutes.

I think there is a real possibility that the major urban areas will have some "improved communications"—perhaps that is not the best way to put it, but it is a matter of telecommunications and things of that sort that will not be available in the rural areas.

I must admit I don't quite see how the Postal Service could move into these rural areas with electronic communications in a way that we would not do in many of the big cities. I think the most important thing is for us to maintain mail service in the rural areas.

Senator BELLMON. Well, suppose mail service gets to the place where it is prohibitive in its cost. Having a service that is too expensive does not meet our needs.

Mr. BAILAR. I think, Senator, one of the things I should have mentioned earlier is that telecommunications as I understand it involves the average citizen generally would be through the use of the telephone.

I mentioned earlier an example of the Congressman who told me yesterday about a savings bank where he can pay his bills by calling the bank and asking them to transfer money from his account to various commercial accounts.

We have a situation in Canada where Sears and Roebuck put in a system where you could call on a "Touchtone" telephone, call Sears, and get connected with a computer and then order merchandise through that "Touchtone" system without ever talking to anybody.

And I think that many of the telecommunications that affect the average citizen will be available to telephone subscribers. I am not sure there is going to be another system on top of that.

It is something that is, frankly, several years off. We have got some research contracts going on it. And I am not very convinced in my own mind of where the solution is going to be.

Tom, would you like to speak to that?

Mr. ELLINGTON. Only one additional point, Senator.

The technology of communications, as it is being hypothesized, at least today, does not exclude low-cost transmission of messages to rural areas.

There are aspects of it which, in fact, should promise some economies simply in the transportation, because it is theoretically cheaper to send a message electronically, bounce it off a satellite and down into a post office, and then you would still have home delivery through conventional means.

And so you are cutting out a certain amount of transportation and processing costs.

So, theoretically, at least, it might work, and yet to echo the Postmaster General, we aren't clear yet how this will shape up in the future. But theoretically there are aspects of telecommunications that, in fact, could be put to some very constructive uses in rural areas.

So I do not think they should be automatically excluded.

Senator BELLMON. Mr. Chairman, to conclude, I would like to echo a good bit of what was said between the chairman and Senator Stevens.

I feel that the Postal Service took over a very difficult assignment. It has had, in my opinion, inadequate time. And it would be a tragedy, for whatever reason, if we put it back in the political arena.

So, I just want that on the record.

The CHAIRMAN. If you have any further thoughts that you want to pursue, we will make them a part of the record with responses to them as a part of the record, also.

Mr. Postmaster General, several tidbits here have arisen in the course of the various colloquies that have taken place here on the part of the members of the committee.

First, to go back to the work performance in the Postal Service, now I need help on this. Somewhere a year ago, after we finished our oversight hearings in 1973, we were tightening things up. We had a report in—it may have been the Library of Congress, it may have been the Bureau of Labor Statistics, it may have been some outside outfit, I don't remember what it was—that suggested this, and it sticks in my mind. And I want an update.

In terms of the handling of mail, that in this table of things for the U.S. Postal Service, it was 8,400 employees for every billion pieces of mail. By this measurement, the U.S. Postal Service proved to be more productive than the Postal Services of Western Europe, Canada, and Japan.

Does that ring a bell? I just called it up in the back of my memory. Somewhere I encountered that.

Mr. BAILAR. I don't recall that study, Senator.

We will do some research and try and find it.

I do know my French counterpart was quoted last week in the Associated Press as saying Americans worked harder than Frenchmen.

The CHAIRMAN. Did he say what at?

Mr. BAILAR. I will assume that he was referring to the postal system.

The CHAIRMAN. Playing post office, I see.

Mr. BAILAR. I will have to look for it, Senator. I don't know whether we have it.

The CHAIRMAN. If you would, I would appreciate pursuing that. And, if necessary, updating it.

At the time, it seemed that it made a relevant comment on U.S. Postal Service efficiency. It did suggest that in comparable pursuits the U.S. Postal Service has a rather surprisingly effective cost-per-man-hour productivity.

Mr. BAILAR. Well, Senator, I will look for that.

And I would like to add here that I would not want my comments on the need to cut our costs or the need to close some small offices to reflect on postal employees.

I think the vast majority of postal employees are dedicated to doing a good job, and I consider it a pleasure to be associated with them. And it is a good group. It is a very efficient postal service, by and large, and we will get those statistics for you if we can find them.

[The aforementioned information was subsequently supplied for the record:]



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT
DIVISION

DEC 11 1975

B-114874

The Honorable Donald M. Fraser
House of Representatives

Dear Mr. Fraser:

In your August 21, 1975, letter, you requested statistical information on postal public service subsidies provided by other countries and an analysis of the efficiency of postal service in those countries compared to that of the U.S. Postal Service. Data available to make such analyses is limited, particularly for comparing the quality of mail service. However, we were able to compare revenue, expense, and some operational data for 10 major foreign postal systems with similar data for the Service.

Overall, the Service:

- Handles from 5 to 56 times more letter mail.
- Handles more letters per postal employee.
- Covers a larger geographical area.
- Currently has a lower letter mail stamp price than all the foreign systems but one.

One useful measure in evaluating postal systems is the time a factory worker must work to purchase postage for a letter. Of the citizens of the ten countries, only the Canadians and the Swiss work less time for postage than U.S. workers. This could change, however, if postal charges are increased in Canada because of wage negotiations resulting from the postal workers' strike and in Switzerland where the Government has indicated the need for a rate increase by January 1976.

GGD-76-35

B-1148/4

Comparisons of postal efficiency based solely on postal rates, however, are of doubtful validity because the rates are based on different operations and financing. For example, some countries

- Combine telecommunications, financial (savings accounts and life insurance), or radio functions with postal operations.
- Erase their postal deficit, if any, either by revenues generated by the other functions or a Government subsidy.
- Conversely, use excess postal revenues, if any, to eliminate deficits in the other functions.

Accordingly, stamp prices may not be established strictly on the basis of postal revenues and expenses.

When the above qualification is kept in mind, the enclosures can be used as a broad-based overview of how Service operations compare to major foreign operations.

Enclosure I compares each country's total postal receipts and total postal expenditures during 1973 as summarized by the Universal Postal Union. Only 2 of the 11 countries showed a net income from postal operations during that year.

Enclosure II compares each country's total letter mail volume, letter mail volume per inhabitant and per postal employee, and geographical area in square miles.

Enclosure III shows the estimated cost to mail a letter in each country as of January 1, 1976. A conversion from the national currency to U.S. currency is also provided.

Enclosure IV indicates the expected percentage change in each country's postal rates during the 16-month period ending January 1, 1976.

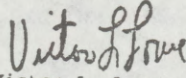
Enclosure V compares the estimated time a factory worker in each country must work to earn enough to mail a letter.

In the enclosures, we have estimated postage rates for January 1, 1976, instead of using current rates. At present,

B-114874

U.S. first-class letter postage is 10 cents; however, the Service intends to increase this rate to 13 cents near the end of December 1975.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Victor L. Lowe". The signature is written in a cursive, flowing style with a large initial "V".

Victor L. Lowe
Director

Enclosures - 5

FINANCIAL SUMMARY OF SELECTED COUNTRIES'
POSTAL SYSTEMS FOR YEAR ENDED JULY 1, 1973

	<u>Total receipts</u>	<u>Total expenses</u>	<u>Income (deficit)</u>
	----- (thousands of dollars) -----		
Australia	328,025	400,994	(72,968)
Belgium	270,912	363,664	(92,752)
Canada	532,083	691,557	(159,474)
France	(a)	(a)	(a)
Japan	1,236,509	1,310,332	(73,823)
Netherlands	398,363	429,691	(31,323)
Sweden	622,553	578,358	44,195
Switzerland	378,805	415,759	(36,954)
United Kingdom	1,443,863	1,199,022	244,846
United States	^b 8,338,945	9,818,306	(1,479,361)
West Germany	^c 7,581,676	^c 7,730,599	^c (148,923)

^a Information not available

^b Excludes U.S. Government operating appropriations of \$1,377,460,000.

^c Data not comparable to other countries because it includes revenue and expense data for radio and telecommunications.

Source: Universal Postal Union

ANNUAL LETTER MAIL VOLUME AND
GEOGRAPHICAL AREA OF SELECTED COUNTRIES
FOR YEAR ENDED JULY 1, 1973

	<u>Total letter mail volume in billions</u>	<u>Letter mail volume per inhabitant</u>	<u>Letter mail volume per postal employee</u>	<u>Geographic area in square mile</u>
Australia	2.3	172	78,778	2,948,366
Belgium	1.1	108	20,040	11,779
Canada	3.4	152	29,675	3,690,410
France	5.8	110	24,566	212,736
Japan	11.1	102	34,503	141,529
Netherlands	1.7	127	49,541	13,433
Sweden	1.0	121	17,781	173,394
Switzerland	1.0	157	29,174	15,944
United Kingdom	10.8	195	53,930	3,377
United States	55.5	261	79,105	3,615,211
West Germany	6.6	107	^a 23,141	94,905

^a

Not comparable to other countries because it includes employees engaged in other than postal services.

Source: Universal Postal Union

SELECTED COUNTRIES' ESTIMATED LETTER POSTAGEJANUARY 1, 1976

	<u>Estimated letter postage in national currency</u>	<u>Estimated letter postage in U.S. cents (note a)</u>
Australia	.18 dollars	23.5
Belgium	6.50 francs	17.0
Canada	^b .08 dollars	7.8
France	.80 francs	18.4
Japan	^c 50.00 yen	16.8
Netherlands	.50 guilders	19.0
Sweden	.90 kronas	21.1
Switzerland	^d .30 francs	11.2
United Kingdom	.085 pounds	23.5
United States	^e .13 dollars	13.0
West Germany	.50 marks	19.5

^a Using foreign exchange rate prevailing on Aug. 1, 1975.

^b Wage negotiations from the postal strike which began in Oct. 1975 may result in increased rates.

^c Pending legislative approval.

^d Not including an unspecified rate increase projected for Jan. 1, 1976.

^e Effective date planned--Dec. 28, 1975.

Source: U.S. Postal Service

CHANGES IN SELECTED COUNTRIES'LETTER POSTAGE FOR THE 16-MONTHSENDED JANUARY 1, 1976

<u>Country</u>	<u>Cost of letter postage (national currency)</u>		<u>Percentage change</u>
	<u>August 30, 1974</u>	<u>January 1, 1976</u>	
Australia	.07 dollars	.18 dollars	157
Belgium	5.00 francs	6.50 francs	30
Canada	.08 dollars	.08 dollars ^a	--
France	.50 francs	.80 francs	60
Japan	20.00 yen	50.00 yen ^b	150
Netherlands	.40 guilders	.50 guilders	25
Sweden	.75 kronas	.90 kronas	20
Switzerland	.30 francs	.30 francs ^c	--
United Kingdom	.045 pounds	.085 pounds	89
United States	.10 dollars	.13 dollars ^d	30
West Germany	.50 marks	.50 marks	--

^a Wage negotiations from the postal strike which began in Oct. 1975 may result in increased rates.

^b pending legislative approval.

^c Not including an unspecified rate increase projected for Jan. 1, 1976.

^d Effective date planned--Dec. 28, 1975.

^e Source: U.S. Postal Service

MINUTES OF WORKTIME REQUIRED
IN SELECTED COUNTRIES TO EARN
THE COST OF LETTER POSTAGE

<u>Country</u>	^a Estimated compensation per hour	Estimated cost of letter postage in national currency <u>January 1, 1976</u>	Minutes of work time required to earn the cost of letter postage
Australia	2.99 dollars	.18 dollars	3 min. 37 sec.
Belgium	202.30 francs	6.50 francs	1 min. 56 sec.
Canada	5.35 dollars	^b .08 dollars	54 sec.
France	16.25 francs	.80 francs	2 min. 57 sec.
Japan	782.00 yen	^c 50.00 yen	3 min. 50 sec.
Netherlands	13.24 guilders	.50 guilders	2 min. 16 sec.
Sweden	24.29 kronas	.90 kronas	2 min. 13 sec.
Switzerland	14.36 francs	^d .30 francs	1 min. 15 sec.
United Kingdom	1.108 pounds	.085 pounds	4 min. 36 sec.
United States	5.70 dollars	^e .13 dollars	1 min. 22 sec.
West Germany	13.67 marks	.50 marks	2 min. 12 sec.

^a Preliminary estimates from U.S. Bureau of Labor Statistics for 1974. Represents wages of manufacturing workers and value of fringe benefits.

^b Wage negotiations from the postal strike which began in Oct. 1975 may result in increased rates.

^c Pending legislative approval.

^d Not including an unspecified rate increase projected for Jan. 1, 1976.

^e Effective date planned--Dec. 28, 1975.

Source: U.S. Postal Service

PERCENTAGE OF FIRST CLASS MAIL

The CHAIRMAN. My second question now is in regard to the 13-cent stamp, about which we have had more heat than light.

What percentage of our first-class mail at 13 cents is mail that Loraine McGee might write to her daughter out in Cheyenne, Wyo., or to Aunt Minnie, or that Aunt Minnie might write to her children?

In other words, what percentage of it is strictly the personal mail rather than business mail?

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

Mr. ELLINGTON. Mr. Chairman, if you confine it solely to your relatives writing to your relatives, that type of letter, personal correspondence—

The CHAIRMAN. Or a friend. A personal correspondence.

Mr. ELLINGTON. It is about 3 percent of the total mail.

The CHAIRMAN. I beg your pardon?

Mr. ELLINGTON. It is about 3 percent.

The CHAIRMAN. 3 percent of the total mail or the total first class mail.

Mr. ELLINGTON. Total first class mail.

The CHAIRMAN. Oh, first class. That is quite a difference.

Mr. ELLINGTON. Now I am not including greeting cards. When you throw those in, you're getting another about 11 percent, as I recall, which would bring the total up to about 14 percent. Nor am I including individuals who send bills back to the utilities, somewhere where they have to put their own stamp on; that brings it up to something over 20 percent.

The CHAIRMAN. I put that in the category of, I guess, business mail, although that comes from Aunt Minnie, too.

Mr. ELLINGTON. Yes; it is business mail. But you have to pay for it.

The CHAIRMAN. Do you have any breakdown of how many first-class letters Aunt Minnie would send in a year?

Mr. ELLINGTON. Yes; I do.

The average household today mails 2.6 letters per week, as I recall the figures.

The CHAIRMAN. 2.6 letters per week.

Would it be fair to say 125 letters a year?

Mr. ELLINGTON. It would be about that order of magnitude. It has decreased somewhat, as a matter of fact.

The CHAIRMAN. Yes.

If that were a fair average, let's say—of course, that is a statistic and it means that there is nobody that sends that many; they would send more—

Mr. ELLINGTON. True.

The CHAIRMAN [continuing]. Or they would send less, to arrive at the average.

Now, if we take that times the 3-cent increase, that means that what has been socked to them for an annual increase in the use of first-class mail, that is three times—

Mr. BAILAR. Less than \$5 a year.

The CHAIRMAN. Less than \$5 a year.

Mr. ELLINGTON. Yes. It is four-something, \$4.20, if I recall.

The CHAIRMAN. I would like to have this on the record to give us a better perspective on this important \$5. You would be surprised what Aunt Minnie is spending on some other things.

Senator BELLMON. Does this include all mail from the household, greeting cards, utility bills, what have you?

Mr. ELLINGTON. No.

The delineation, Senator, is: 3 percent is personal letters; another 11 percent is—

Senator BELLMON. You mentioned the household mail is 2.6 letters per week. Does it also include the greeting cards?

Mr. ELLINGTON. Everything. All first-class mail.

And when we include all mail, I was just looking at the figures, that goes up to 2.8 per week; that includes parcels. The difference is nominal.

But first-class mail, the average is 2.6 per piece sent per week.

Senator BELLMON. This figure of \$4.75, that includes the Christmas cards of the household—

Mr. ELLINGTON. Everything.

Senator BELLMON [continuing]. The utility bills, insurance premiums, credit cards to the oil companies, everything?

Mr. ELLINGTON. Everything. The works.

Senator BELLMON. That is a good figure.

The CHAIRMAN. A very interesting figure.

Senator BELLMON. Senator, thank you.

COMMERCIAL MAILERS

Mr. BAILAR. Senator, I might make an observation here at the risk of being a little simplistic.

Our experience over the last few years has been that generally when we have rate increases, the most vigorous voices that are raised are the commercial mailers'—and understandably. They have got the big postal bills, the multimillion dollars a year.

And at the same time, the demands for service—"Got to get it there quicker," "I've got to send it at 8 in the morning and get it through at 2 in the afternoon," "I want it 6 days a week," "I want it to my door instead of the curb"—those demands generally come from Mr. and Mrs. America because they are the ones who are receiving the service.

And one of the inconsistencies that complicates our life is that the people who are paying for the service are generally not the people who are demanding the extra little touches. So that when we have a service breakdown, as we did in the Christmas of 1972, it is the public we hear from.

When we have a rate increase, we hear from the public to. I don't mean to belittle that, but the big complaints come from the commercial mailers. And one of the problems that we have to cope with in looking ahead in the Postal Service—

The CHAIRMAN. You mean, the commercial first-class mailers or the commercial all-class mailers.

Mr. BAILAR. Well, generally, a large commercial mailer is a multi-class mailer. The publishers are involved in subscription solicitation, billing, or book clubs and record clubs. And you get some third-class mailers who are almost exclusively third class.

But the biggest concern over the economic situation comes from the commercial mailers, by far. And, so, we find ourselves in a rather incongruous position where the people who are paying for the service are being rather understanding of some of our efforts to save costs.

The people who are paying a relatively small amount of the total but getting the service are being quite demanding. And I don't mean to object to any of this. It is just a statement of the way we find it.

The CHAIRMAN. I have another point to raise with you.

In regard to the cutback from a 6-day week to a 5-day week, the figure, again, what that might represent in lowering of costs.

Mr. BAILAR. \$350 million.

The CHAIRMAN. \$350 million.

ERROR FACTOR

Now, when I was inspecting a regional office not very long ago, some time ago, one of the authorities there made a point with me about the incidence of mail that is mis-sent or not sent or lost.

Do you have any relevant figures on what the error factor is in the mail system?

Mr. BAILAR. I don't have it personally.

Mr. ELLINGTON. We have two measures that we look at, Senator. One is the measure of mis-sent mail between sectional centers and districts within a region, and that is mail that actually gets out of the house and goes to the wrong place, and then has to be returned. That is around 2 to 3 percent—

The CHAIRMAN. Of total mailings—

Mr. ELLINGTON. Can be characterized as mis-sent mail.

The CHAIRMAN. It seems awfully small from the noise I get from it.

Mr. ELLINGTON. Well, say 2 or 3 percent of, say, 50 billion pieces of mail, that's not so small.

The CHAIRMAN. How many?

Mr. ELLINGTON. About 50 billion pieces of first class mail.

The CHAIRMAN. 50 billion pieces of first-class mail?

Mr. ELLINGTON. That is right.

The CHAIRMAN. That means that we're going to get a million bellyaches.

Mr. ELLINGTON. A billion bellyaches.

The CHAIRMAN. A billion bellyaches. If you have a 2- or 3-percent error record.

Mr. ELLINGTON. A billion bellyaches, and that's a lot of bellyaches.

The CHAIRMAN. Yes. And you know who gets all of them.

Mr. ELLINGTON. I don't think you get them all.

The CHAIRMAN. Well, that is an interesting statistic. Let me give you the followup question to that.

Is there any relationship of the 6-day delivery to the error factor, to the delivery of mail and the receiving of mail, to wit, as one district man related to me, it would be his guess—although they have not broken it down yet—that nearly half of their failure to deliver, or delivering to the wrong house, or not recovering it from where it went to the wrong house, nearly half of their cases came from the substitute carrier rather than the regular carrier?

The substitute carrier, he explained to me, was the phenomenon of the 6-day week; that the regular carrier is on a 5-day week, but if you

are going to have 6-day service, you have to have a substitute. And that he is the one who isn't aware of the fact that maybe this envelope is four houses down the street, this sort of thing.

And he attributed up to half of their errors in this particular district to the substitute carriers. Is that in the ballpark at all?

Mr. BOLGER. Senator, it could be in the ballpark, particularly in a district. But I don't think it has nationwide application.

I don't think it is an important factor to worry about. In the case of a 6-day service, we do usually have regular employees. A regular serves five different routes.

The CHAIRMAN. How high is the substitute mailman service, postman factor in your error rate?

Mr. BOLGER. A maximum of 10 percent.

The CHAIRMAN. Ten percent?

Mr. BOLGER. Yes, Senator.

The CHAIRMAN. Would the substitute postman be a relevant factor in whatever the margin of error would be?

Mr. BOLGER. It is not a relevant factor. It could be a small percentage of a factor in our error rate.

The CHAIRMAN. All right. I am glad to have this said in perspective, because this came from one district manager.

Mr. BOLGER. Yesterday I listened to the same district manager make that same pitch. I was in San Francisco.

The CHAIRMAN. That is very near.

Mr. BOLGER. Yes. We are talking about the same fellow.

21 BULK MAIL CENTERS

The CHAIRMAN. All right.

Mr. Bailar, you talked earlier and we had some colloquy on the bulk mail program. Let me go back and put that in its proper stage. What was the projected plan, how many bulk mail centers were to be instituted under the new Postal Service?

Mr. BAILAR. The plan was for 21 bulk mail centers.

The CHAIRMAN. In what stage is that program now in terms of approaching onstream?

Mr. BAILAR. The last of the 21 has started to go onstream. It is a gradual process with facilities the size we are talking about. But the final one is being phased in.

The CHAIRMAN. It should be onstream in March. The reason I asked that question is that I wanted to get credit for having just doubly inspected that particular one, the last one to move into line.

Now, the completion of this system of bulk mail facilities in your judgment will take how long to be fairly measured and judged; how much time will it require before the 21 bulk mail facilities will show up in whatever ways have been projected in the mail system in the country?

Mr. BAILAR. Well, I think we ought to realize some of the benefits very promptly. I would think to be settled down and a routine part of postal operations would take another 18 months.

The CHAIRMAN. Another 18 months.

Mr. BAILAR. You see, we are talking about transferring employees between facilities, and changing our logistical patterns and shaking down a transportation network.

The CHAIRMAN. What percentage of it is operating now, roughly, as you say, in the total system—half of it?

Mr. BAILAR. Well, I would say half of the facilities are fairly well shaken down as far as the mechanical equipment is concerned, because they started a year or so ago.

One of the important aspects of the bulk mail network is a dedicated transportation network, so that they are, in effect, concentration centers; you take material into one and move it into another and take it out.

We cannot really get a feel for the benefits of the dedicated transportation network until we have the thing onstream and shaken down.

I must say, Senator, that one of our concerns about the bulk mail network is the preservation of our volume on which that investment was based.

The CHAIRMAN. That is, if the volume drops too much—

Mr. BAILAR. It is going to hurt badly.

The CHAIRMAN [continuing]. It will hurt because the system is already geared in for a wider use?

Mr. BAILAR. We have lost some volume.

The CHAIRMAN. Do you envisage some point down the road ahead of a reevaluation of the parcel post mailing techniques in the country that will lead to a national monopoly rather than some of these few private sector groups that handle some of the bulk mail?

Mr. BAILAR. Well, as a practical matter, Senator, I don't think we'll ever see that happen. I think current things being what they are, it probably will not be Government policy.

There are some very substantial private enterprises, employing a lot of people with a lot of abilities, and they are onstream and they are going. And I think the existence of that operation—

The CHAIRMAN. Some have had a very good record.

Mr. BAILAR. Yes, sir.

The CHAIRMAN. A very good record. In fact, the competition at this stage seems to be very healthy as far as in the postal system.

Mr. BAILAR. Yes; it has been. Some of those with a good record, when they find they want to reach some remote areas, perhaps in some of the States we have talked about this morning—

The CHAIRMAN. Like Spotted Horse, Wyo.

Mr. BAILAR [continuing]. They will bring their parcels to the post office and mail it with us because they find it is cheaper to pay our rates than to go out and deliver them.

So, it is not a fair analogy to compare some of these private operations to the post office, the Postal Service. But, nonetheless, they provide a service.

The CHAIRMAN. The reason for my question is somewhere at some time we are going to have to make, it seems to me, the gutsy decision on what breaking point; is it in the public interest to draw that line in deference to the national postal system, or how much of it before that point is reached is tolerable to force it to the private sector.

At some point there, there is a spillover, and we have got to hope we are wise enough to stop at that point.

Mr. BAILAR. Well, one of the things we have to keep in mind, Senator, is the public service involved.

With all due respect to some of our competitors, they are not public service agencies and they don't make any pretense that they are. It is my understanding that United Parcel is less accessible to the general public, although they do accept parcels so that if you want to mail one to some place across the country, you can do so. But they have two facilities in the Washington area and we have, I think, 91.

We are more accessible to the public, because that is our charge. We don't go out of business when we have a strike; we do everything possible to avoid a strike. If we can't get along with our labor unions in Philadelphia, we don't shut down for 2 years—as they have done.

So, there are some very important public service differences.

The CHAIRMAN. You see, it is very important that the consuming public and all of the consuming public gets this basic assessment, for the reason that they see the glory of it when it works on a good day. They are never mindful that you don't have the liberty or the freedom to fall back upon—

Mr. BAILAR. No, we don't have it, and we don't want it, Senator. We have an obligation—

The CHAIRMAN. And you cannot exercise those options.

Mr. BAILAR. We have an obligation to stay in business in Philadelphia, and not to take long strikes in New York, and to serve every family in this country. And I welcome that obligation.

The CHAIRMAN. You mentioned in your opening statement, Mr. Bailar, an allusion to the possibility of having to borrow—at some point down the road in the months ahead—to even pay salaries.

Is there a danger of payless paydays staring us in the face in the Postal Service?

Mr. BAILAR. I don't see that as a strong possibility, Senator, in the next year to 18 months.

It is difficult to go beyond that because a great deal of it depends on our ability to get rate increases, and the cost-of-living escalator in our contract, and so on.

But we have borrowed \$500 million in each of the last 2 years. I think the provision that allows us to do that was put in the Postal Reorganization Act to provide for an emergency. And, unfortunately, it is something that we have had to use for 2 consecutive years.

We will probably have to use it this year. And it is not a good practice.

You dig the hole deeper. The \$500 million has to be paid back, and you have got interest to be paid on the amount. It is something we would clearly prefer to stay away from.

But the borrowing authority that we have is sufficient in the near future to assure us that we can stay in business to meet our obligations.

DOOR-TO-DOOR DELIVERY COST

The CHAIRMAN. Also in your opening remarks, you alluded to the problem of curbside and cluster delivery. And you seem to indicate, at least, that if you could pull some way back, particularly in new areas, from the door-to-door concept, that it would be a saving ingredient in your operation?

Mr. BAILAR. Senator, there are specific figures on this, and those which I have now are about a year old. They have, of course, been

inflated by our general inflation costs. But as of about a year ago, the average home delivery costs were, if you went to the door, \$49 per year—

The CHAIRMAN. Per door?

Mr. BAILAR. Yes.

If you delivered it curbside, \$39; if you delivered it cluster box, it was \$24.

We've got a case where there are substantial savings to be incurred. We have tried to follow a policy of delivery at the curb or in cluster boxes, I think generally over the last 2 or 3 years, with limited local exceptions.

In new areas, we have maintained door-to-door delivery in existing areas and in homes that are built on an established block that already has door-to-door.

These are changes which, I can understand, are a concern to the householders involved. They are very important changes to us.

The CHAIRMAN. No. 1, would it be your ultimate recommendation that you move as a policy from the door delivery to the cluster box or the curbside concept for all mail users over a long transitional changeover of that concept?

Mr. BAILAR. That is our existing policy for all new addresses.

The CHAIRMAN. I am talking about full service, period.

Mr. BAILAR. I think, Senator, that there are probably some areas dense enough, in places with rowhouses or places in the center of the city, that door service probably is as economical as curbside service.

I don't know that I would be in a position to comment further without some pretty careful thought on that subject.

The CHAIRMAN. Well, for example, just turn it around the other way whereas most of the members of this committee represent States, I guess without exception, that are very rural in their patronage, and thus we live very close to the problem.

And one of our petitions is that even though we are in rural areas, we do believe that one of the basic concepts of the Postal Service was to maintain the prerogatives of roughly equal postal opportunities.

Doesn't that same point become a valid point for those who are moving into new suburbs and new housing districts, across the line from the old city boundaries? How would we make valid cluster boxes and curbsides for the new homes, even as we maintain the old concept and all the old homes of people living in the inner city?

Mr. BAILAR. Well, it is difficult to explain a citizen who is getting the short end of that, Senator. But I would point out to you that there are a number of cases where it is hard for me to imagine curbside or cluster box could be implemented.

There are some areas that I know in New York City where they don't have the green area between the sidewalk and the street. The cars that are lined up on the street are so numerous it would be totally impractical to try and implement curbside delivery, in an area like Astoria or Flushing, or in Queens.

And the people have existing mailboxes on their houses and slots in their doors. So, I would be reluctant, certainly at this point, to recommend any across-the-board change, including existing service areas.

The CHAIRMAN. Jennings, do you have some more questions to pursue?

Senator RANDOLPH. Thank you, Mr. Chairman.

Earlier today, General, we were discussing the photocopying machines. I am informed that the House Postal Subcommittee, by unanimous vote earlier today, desires today that the action taken earlier in the House be vacated.

Would that mean that there was a reversal of their position on coin-operated photocopy machines in post office lobbies? Am I correct in thinking that they initiated the matter; or did the Postal Service initiate the matter?

Mr. BAILAR. Well, I think, Senator, probably both of us came to the conclusion that the policy was an error. I discussed it with the committee. I knew that they were having their meeting this morning and the action they took.

But I don't think they have any monopoly on feeling that the original decision was in error. I am glad we changed, and I think it is something that was appropriate.

Senator RANDOLPH. Thank you very much.

I have been asked, Mr. Chairman, by Senator Hollings, who cannot be present, to ask you General, with reference to the proposed study commission, what use has been made of the advisory council?

Now that was established, as I recall, in section 206 of the Reorganization Act. That section established a representative council.

What use was made of that study under the provisions of the law?

Mr. BAILAR. That committee, it is my understanding, Senator, was terminated some time in 1974 as a direct result of the law that eliminated all of those committees unless there was some specific action to the contrary to continue their life.

I think from the standpoint of the Postal Service, it was of limited value because it had groups that had a natural adversary relationship; it had some representatives from labor unions, some representatives of large mailers.

That is not to say that we don't have a lot of contact with those people. I try and maintain a direct relationship with a number of mailers, as well as with the leaders of the postal unions. And we, of course, hear extensively from the public. I try and read my mail carefully, as much of my own mail as I can. So, I think we have the inputs that were thought of when that decision was put in the law.

Senator RANDOLPH. I don't recall what we did in the laws as to the life of the advisory council.

Mr. Cox. Senator, you may remember that somewhere in the neighborhood of 31½ years ago, the Congress passed something called the "Federal Advisory Committee Act." And as I recall it, the general purpose of it was to clean out the attic of literally thousands of advisory committees, from tea-tasting committees on up and down the line.

And the principal way in which it worked was to impose a kind of a "death sentence" on all advisory committees that were created by the Congress, which the Department of Justice agreed with us would have included and did include the Postal Service Advisory Council, and to say, in effect, "You've got 2 years to live, and if the Congress doesn't do anything to revive you in that time, then you go out of business." And it was the operation of that statute that tolled the bell for the Postal Service Advisory Council.

Senator RANDOLPH. I want to thank you very much for clarifying that problem.

One or two quick questions, General. In an energy crunch, crisis, whatever we call it—and we have been favored this winter by a relatively mild winter as compared with other winters, what are the costs of heating the structures within the Postal Service and of purchasing the fuel for the vehicles that are operated by this service?

GASOLINE CONSUMPTION

Mr. BAILAR. Senator, our gasoline consumption is about 350 million gallons a year. So each time a gallon of gas goes up a penny, it costs us \$3.5 million.

Now, I can get some comparable numbers on building heating and the cost of electrical services. But, frankly, I don't have them quick at hand.

The increase in costs of energy in this country has had a real impact on the Postal Service. It is the second largest cost component we have, after labor. We think labor is 85, 86 percent of our total costs; generally, energy—whether it is gasoline, or heating, or electricity—is about 7 percent.

Senator RANDOLPH. Well, I know that it was a built-in cost and one that came rather abruptly.

Mr. BAILAR. Yes, it did. It came rather abruptly.

Senator RANDOLPH. Yes.

Mr. BAILAR. And it not only cost us a great increase in our costs, but a good deal of dislocation in our delivery systems.

And I think, frankly, looking back on 2 years ago, we were fortunate not to have any service disruptions resulting from it.

We have had reductions on the number of flights on some airlines. It has hurt us a little bit, but generally it has not been a tremendous problem.

Senator RANDOLPH. You have indicated that you have had problems concerning the control in your budget. Do you want to discuss that further; what are your problems as you try to control your budget?

Mr. BAILAR. Well, Senator, I think one of the biggest problems that we have to cope with is the traditions of the Postal Service—for instance, the tradition that we reach all the people 6 days a week. There is the concern—and it is understandable, I might add—of the elected representatives of the people over the changes that we make that affect postal employees.

I mentioned here some small offices and some not so small that we were considering closing. A postmaster at one of those offices or the organization that represents him are mightily concerned about any change in our policy on closing post offices. And if I were in their boots, I would be concerned about it, too.

So this concern for tradition is certainly a very significant complication.

Senator RANDOLPH. Well, we realize that. I feel strongly that you should proceed with caution on the closing of offices. At the same time, I am aware of costs involved in small post offices.

I am not trying to indicate that the salaries are too large; but we might have a post office operating today that serves 250 persons, and the postmaster is receiving \$16,000 to \$17,000 a year.

Your records indicate this and it is something to look into. Oft times, the complaint comes in from the other elements of private business in the community that the payment to the post office is much out of line with the other salaries in the community, say the principal of the school.

The salary question is not limited to small offices. Many persons have raised this issue as it relates to Postal Service headquarters.

I am not trying to indicate that any action needs to be taken at the moment, but it is a study that I think is perhaps important.

Mr. BAILAR. Senator, I know a number of postal employees are concerned about how much they are paid. At the same time, I think they are paid fairly.

In recent months, the Postal Service has been sued by the postmasters organizations, maintaining that our recent pay package was not fair. But I know of cases—as I am sure you do—where the postmaster is, for all practical purposes, the highest-salaried person in town; he is paid substantially more than a principal of a school or a school superintendent.

I have got a rather curt letter from a postmaster in a small town in the midwest complaining bitterly about the pay package. And, of course, he distributed the letter through the postmasters' communications system, their magazine.

I mentioned this to a Congressman from that State whom I happen to know and told him the name of the town, which had 495 people and the postmaster was making over \$16,000 a year—and due to go to \$17,000 this month.

The Congressman told me that in his judgment that postmaster was far and away the best-paid man in town. I wrote the postmaster back a letter and pointed out to him that at the time of postal reform, which was about simultaneous with his appointment as postmaster, he was making \$10,000 a year. And it seemed to me that from that time to this, an increase to \$17,000 was more than adequate.

Notwithstanding those problems, we have been taken to court on it, and we are going to pursue our defense vigorously, I can assure you.

Senator RANDOLPH. Mr. Chairman, just one final question.

You are, at the present time, as I understand it, trying to be realistic about the cost-cutting measures that you think can be instituted; is that correct?

Mr. BAILAR. Yes, sir.

Senator RANDOLPH. But are you trying to improve the operation of the Postal Service, giving the best service possible at a lesser cost?

Mr. BAILAR. Yes, sir.

I might add that moving in realistic ways to reduce our costs means that we're doing it with an eye toward customer service and the concerns that the people express to their elected representatives, including members of this committee and your colleagues.

I know that some of the things we are doing are not done in the way everybody would like them done, Senator. And I regret that I have found out that I cannot please everybody in this job.

But I think some of these offices are just a little incongruous in their continued existence. I think that the use of overtime has to be controlled. I think a number of the things that we have talked about today are programs that must be pursued.

If we do not pursue them, we are in effect utilizing a national resource, our people and money, in ways that I don't think would be in the national interest.

I find it, frankly, a little difficult to comprehend that nearly 1 percent of the work force of this country is on the payroll of the U.S. Postal Service. And that, to me, is a huge dedication of national resources, and one that has to be managed with great care, and reduced if we can properly do so.

The CHAIRMAN. Repeat that 1 percent figure again.

Mr. BAILAR. Nearly 1 percent of the work force, 700,000 postal employees out of a civilian work force of 84 million employed people. And that is a huge dedication of national resources.

I think that there is a lot of thought that has to be given in the months ahead of us as to whether the traditional patterns of postal services, as we now know them, are appropriate.

We are getting into situations where there are massive cutbacks in all kinds of government-provided services, whether it is a school district's ability to field a varsity football team; whether it is every street light on in a metropolitan area as opposed to every other light to reduce electrical bills; what's the number of books that a library buys?

And in the sorting out of national priorities—which is a continual process—I think, Senator, one of the things that this committee is going to have to focus on that I hope to be a part of over the next few months is a reassessment of the traditional postal needs as opposed to the needs of today, as affected by changes in the Postal Service. When I was a small boy, my mother used to get postcards from a friend across town about a party or one thing or another, and people don't communicate that way anymore.

I talked earlier about the changes in a savings bank in the way of paying bills. And the Postal Service, although, I suppose, from the outside it looks like a rather set organization, is involved in an incredibly dynamic situation with changes that I think we all have to give a great deal of thought to appraising.

Senator RANDOLPH. General, just this one final comment.

I will place in the record at this point—I will not quote it—but Thomas Jefferson spoke about the need for changes in changing times. And I will place it in the record at this point.

[Aforementioned quote by Thomas Jefferson follows:]

As new discoveries are made, new truths discovered, and manners and opinions change with the change in circumstances, institutions must advance also and keep pace with the times.

Senator RANDOLPH. I would suggest that the time is here when we may want to consider whether we need the mail deliveries on a 6-day basis. Possibly we need it only on a 5-day basis. This could help reduce the postal deficit.

Now, that is only my personal thinking. We do know that not only in the residential areas but in our business areas, there are fewer businesses that are operating 6 days a week at the present time.

So, if mail is being delivered to a place of business it is held over in perhaps 70 to 80 percent of the cases until the opening of the mail on Monday. I think that is a realistic look at the situation. I hope that you will zero in on that. It will take some courage, of course.

Mr. BAILAR. I think, Senator, your point is well made. And as we get into an area where we are having increasing difficulty meeting the expenses of all the public services that we have had—and the Postal Service is only one of them—all of those services have to be reevaluated. And that is what I am looking forward to seeing in the coming weeks and months.

Senator RANDOLPH. Thank you, General.

The CHAIRMAN. Thank you, Senator.

I have no more questions this morning. As we go along in this series of hearings, which will extend on into March, I am sure we will get some feedback from other sources, and we may want to have you appear again and run some other things through.

We really want this to be a very hard look with a cold assessment of what the realities are that we have to face. And we want to be able to submit this.

How much is it going to cost whom, in what dimensions in order to be responsible in our oversight obligations in regard to this service which, in effect, almost has no constituency. It has only expert Postmasters General in every community of the land.

Mr. BAILAR. We would be happy to return to answer your questions for the record, Senator.

The CHAIRMAN. The hearing will recess until 10 o'clock tomorrow morning, at which time we have the Chairman of the Postal Rate Commission and the General Accounting Office. And we will resume the hearing at that time with those expert witnesses.

I want to thank you very much, Postmaster General Bailar, for your forthright responses to the questions of the members.

Mr. BAILAR. Thank you, Senator.

The CHAIRMAN. And your input on the larger picture that we have to face up to, one way or the other.

Mr. BAILAR. Thank you.

[Whereupon, at 12:25 p.m., the hearing was recessed.]

POSTAL REORGANIZATION

WEDNESDAY, JANUARY 28, 1976

U.S. SENATE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, D.C.

The committee met pursuant to notice at 10 a.m., in room 6202, Dirksen Senate Office Building, Hon. Gale W. McGee (chairman of the committee) presiding.

Also present: Senators Randolph, Fong, Burdick, Moss, Bellmon, and Leahy.

OPENING STATEMENT OF CHAIRMAN McGEE

The CHAIRMAN. The hearing by the committee in reviewing the procedures and the problems of the Postal Service is now resumed.

This morning we are struggling with one of the more complex aspects of a new post office. It has to do with the Postal Rate Commission. Now we have other achievements which may have been recorded as a result of the reorganization. One of our most important objectives in it was to take the Congress of the United States out of the ratemaking business. There is not a Congressman that I know of, either Senate or House, that is qualified, without working full time, to be a Commissioner on rates. And yet the Congress, on an ad hoc basis, almost literally from the seat of the pants was called upon to make decisions that set rates.

So the breakthrough was to create a Commission with the expertise to dignify the responsibilities that that role should require. Now, we have had a sufficient shakedown cruise in terms of the experience with the new Rate Commission. We have new leadership in the Commission and we are here this morning to hear them and to make some suggestions or ask some questions with regard to polishing up the Commission's activities and its relation to the postal system.

We are delighted to have the Commissioners here and it is like old home week to have Clyde DuPont back. Clyde served here on the committee for many years as the counsel for the minority and he goes to the Commission with the deepest of knowledge as to not only what it is about but the importance of its role in an important, effective postal system.

So without further ado I will turn the panel over to you Clyde.

You cannot say anything, however, Hiram, since you have a conflict of interest in Clyde's opinions.

Senator FONG. I think I can at least welcome Clyde and the other commissioners here. They have been working very, very hard on the rates charged. Where we used to do it in 2 or 3 weeks in two or three

meetings, now it takes a year or some months to present the rates to the public. But we know how difficult the job is. That is why we created this commission. We know that you are working very hard on the Commission.

There are many, many things that you have to explore, and we know that it is a difficult job. But we would like to hear of some of the difficulties about which we may not be apprised.

The CHAIRMAN. Before, I gave you a wide open carte blanche Clyde. I retract that. I look at the size of the document that makes up your written testimony. We would be here the rest of the month. So I assume this includes your commitment to skim the relevant part and to bore into the meat of it. But it is a frightening pack which you have submitted.

Mr. DuPONT. Well, Mr. Chairman, I feel this is my one time to lay it all out for the committee.

STATEMENT OF CLYDE S. DuPONT, CHAIRMAN, POSTAL RATE COMMISSION

Mr. DuPONT. Mr. Chairman, Senator Fong, Senator Burdick, Senator Moss, Senator Leahy.

It is a pleasure to appear before this committee to express the view of the Postal Rate Commission on S. 2844, the proposed Reorganization Act Amendments of 1976.

Of course, I am particularly glad to meet with my former mentors who instructed me for 15 years. It is also always a pleasure to be here with former staff colleagues in the committee.

My fellow Commissioners and I, of course, deeply appreciate the opportunity to discuss with you both the details of S. 2844 as well as the achievements and some lingering problems of the postal reorganization.

Let me introduce the members of the Commission at this time.

To my immediate left is the vice chairman of the Commission, Commissioner Villarreal. To my immediate right is the senior member of the Commission, Commissioner Saponaro; Commissioner O'Doherty to my far right. And Commissioner Miltich to my far left.

As we normally do in testimony we would request that the committee not inquire into issues in cases now pending before us or issues likely to be before us in future cases. This is required by our code of conduct and governing procedures of regulatory agencies.

Except for this limited qualification, we welcome questions regarding the Commission and its work.

We have prepared, as you indicated, Mr. Chairman, a detailed statement and a summary statement for today's hearing. With the committee's permission we should like to have the full statement printed in the record and I will present a much shorter version orally at this time.

The CHAIRMAN. With agreement we will place the entire statement in the record.

Mr. DuPONT. That is deeply appreciated.

As we go along I will point to specific pages in my full statement Mr. Chairman, so the committee will be able to follow as I go through.

INTRODUCTION

Beginning on page 2 there is an introduction.

There is a great degree of public interest and concern regarding the vitality of the postal system. Because of this public concern we will be discussing some general problems of the postal system as they touch on our regulatory functions as well as dealing with specific provisions of S. 2844.

Our Commission, I believe, has made some substantial progress toward the goal assigned to us in the Postal Reorganization legislation of 1970. First, I would like to generally list off some of our achievements. This is found on pages 2 through 4 of my statement.

We have hammered out in practical substance and in workable form the standards of costing and rate design which Congress set out in general terms in our statute. In my judgment we have implemented the general instructions Congress incorporated into our statute and we will continue to do so through our future cases and our actions.

We have particularly in our second decision on postal rates drawn up a comprehensive list of improvements in the costing process which we urged the Postal Service to follow, in the interest of a fairer and more scientifically designed rate structure. I am pleased to say the Postal Service has followed many of these admonitions in the current cases.

We have streamlined the hearing process required by our statute while preserving the procedural rights of the public. Even from parties who disagree with their substance there has never been a complaint that a fair hearing was denied in reaching our decision.

We have moved forward toward reform of the mail classification system. Just a few days ago a settlement agreement covering significant changes in classification was submitted for our consideration. It was mentioned in this morning's Wall Street Journal and we are all very pleased that we have received a settlement agreement in the classification case.

At this time I would be remiss if I did not mention the outstanding contribution toward achieving the settlement of Commissioner Miltich. Last October I asked Commissioner Miltich as is my authority under the act, to see what could be done to move the settlement. It had been underway for 5 months but we felt it was not moving ahead as it should. We also felt the Commission should take a more active role in the settlement as a mediator. Commissioner Miltich took on that assignment and I am convinced that it was primarily due to his expertise and judgment that we have a settlement agreement before us in the classification case. He, with the advice of our outstanding general counsel, Mr. Lloyd Dietrich, deserve high praise in taking on that assignment and bringing to us a settlement in the classification case.

We are also now considering our first fully litigated case under the "change of service" section 3661 of our statute. It should help clarify the boundaries of our regulatory advisory responsibility and the service's managerial discretion.

We have developed procedures which allow the Commission to issue detailed decisions based exclusively on hearing records in a very short time. Our second rate decision appeared—in two substantial volumes—only 2 months after oral argument.

A UNIQUE REGULATORY SITUATION

On page 4 I talk about our unique regulatory problems.

Although the Postal Rate Commission is one of the smallest and youngest regulatory agencies in Washington, I believe the problems we face in executing regulatory functions are as demanding as those confronting any other similar body. Some of them are peculiar to postal regulation. They include understanding of highly technical economic issues making judgments on conflicting expert opinions, and digesting an administrative hearing record which runs to thousands of pages. Every big regulatory case whether concerned with airlines fares or railroad rates or postal rates generates scores of issues and volumes of conflicting testimony and arguments all of which must be carefully weighed and analyzed by the agency.

Most regulatory agencies have by now amassed years of experience at their tasks. Likewise, the industries they deal with are used to meeting regulatory requirements of record keeping, disclosure, and compliance with the procedural safeguards of agency litigation in which the public participates.

By contrast the Postal Service's existence as a government establishment subject to independent review of its rates, classification and services goes back only to 1970. Its accounting records and financial records have historically been geared to the congressional appropriation process rather than to indepth functional cost-and-revenue analyses required by ratemaking. And mail classification is still in a transitional stage. The process of mutual adjustment and understanding which in the traditionally regulated industries helps to define the proper role of the regulatory inquiry on the one hand and management discretion on the other is still under administrative development in postal regulation.

That process has led to some disagreement—but not irreconcilable disagreement—between us and the Service. One of which I will be discussing in some detail later on.

The Postal Service is different than other regulated enterprises in many other ways. It must meet brisk competition in some services; it has a legal monopoly of others. Yet, its rates must be fair to all classes of mailers. It cannot, by law, make a profit, yet it cannot cover sudden cost increases without consulting the Commission. It must provide adequate service to all areas including those where costs are unlikely to ever be recovered from the customers—and at the same time it must observe sound business principles. Part of its income flows from operations, and part is provided by congressional appropriations.

Thus, the Commission and the Service must adapt not only the concept of public utility regulation but also analyze it and be prepared to adapt it to a neat regulatory scheme. In addition, we must apply in a practical way a pioneering regulatory statute.

Congress broke new ground in drafting the standards of our act; and I believe that we have made good progress in translating those standards into a fair and scientifically designed rate.

TIME FRAME FOR COMMISSION PROCEEDINGS

On pages 7 and 9 is the time frame for Commission proceedings.

In executing these responsibilities we must face the fact that public participation with adequate procedural safeguards, take time. Our own

decisional process—once hearings and arguments are complete—is relatively rapid. Excessively long proceedings are a legitimate ground of complaint, especially when prices are rapidly rising. But under our statute, as under most regulatory mandates the agency cannot curtail the basic procedural rights of the parties. The balancing of these needs means that litigation time cannot be cut below a certain minimum. In trying to expedite our proceedings found on pages 9 through 16 we have been able to make great progress while at the same time protecting the rights of all parties.

The five Commissioners are sitting right now en banc in the evidentiary hearing in our R76-1 rate case. There is no administrative law judge assigned to the case, and the initial decision phase of the case has thus been eliminated. We anticipate a considerable saving of time as a result. Hearings began on January 12 and we have almost finished with the examination of the Postal Service witnesses. Thus we are closely tracking the schedule we laid down at the beginning of the case. That is found in one of our appendices, Mr. Chairman. This schedule calls for the completion of hearings by March 30, with a decision toward the end of June 1976.

At this point I might mention that in the first case we had approximately 39 participants. In the second case, approximately 48. In the present case we have right now pending four additional requests for intervention which will put us up to 62 participants in our present case. And at the same time we do have accelerated time schedules.

The CHAIRMAN. You say 39 in the first case?

Mr. DUPONT. Yes.

The CHAIRMAN. Forty-eight.

Mr. DUPONT. In the second case—

The CHAIRMAN. These were separate litigants?

Mr. DUPONT. Yes.

The CHAIRMAN. All in the same case?

Mr. DUPONT. Yes.

The CHAIRMAN. I would say to my law friends, some of whom are on the committee, it sounds like a food stamp program for lawyers, does it not?

Mr. DUPONT. I might mention also, Mr. Chairman—

The CHAIRMAN. It shows how complex it really is.

Mr. DUPONT. Yes, sir.

And many of the litigants are trade associations representing thousands of business enterprises throughout the country.

Senator FONG. Are you hearing from each one of them?

Mr. DUPONT. They have the opportunity to come in and file briefs, to file written testimony before us, to cross examine witnesses of other parties. Not all of them participate, however, in every aspect of the case. The thing is they do have the opportunity to present their position, their case, on a particular phase of the Postal Service's rate finding.

The CHAIRMAN. Senator Fong, I am amazed at your question. In the Senate we have 71 lawyers. Have we ever found two of them willing to be heard together? Every one has his own position and that is why it takes so long to litigate sometimes. We have too many lawyers. We need more of us in the Senate.

[Laughter.]

Mr. DUPONT. By the way, we have urged these parties to consolidate if they possibly can. I will get into the activities and actions we have taken to expedite our cases later on in my testimony.

In this vein, we are using written rather than oral examination to the extent possible. That alone saves considerable hearing room time that otherwise would be consumed by the questioning of witnesses.

I said a few minutes ago that other regulatory agencies have a regularized pattern of procedure. Among these are systems of periodic reporting by the regulated firms, which go far in expediting agency proceedings.

One of the principal bottlenecks hampering our regulatory procedures is obtaining needed information from the Postal Service. It is here in particular that the older agencies have the advantage over us. Practically every such agency has a well established system of periodic reporting by the regulated firms which furnish basic information and make it a matter of public record.

We are attempting to develop such a system and secure the Postal Service's cooperation to that end.

I have given the committee's staff copies of a letter from our Director of Planning and Operations addressed to the Director of Finance for the Postal Service making formal request for the filing with us of a number of existing Postal Service reports and data compilations which we have judged to be needed by us for rate setting purposes. If we can develop a regular reporting system—and we expect soon to begin a rulemaking proceeding on the subject—it will further expedite the Commission's proceeding. In adopting these measures of expedition, we have continued to respect the procedural rights of public participants in our cases. Not only did Congress require that we observe the standards of an "on the record" proceeding under the Administrative Procedure Act, but we remain convinced that there is no better process for arriving at the truth than a trial type hearing. Our task is to streamline that process without losing the benefit it offers to the parties and to us.

Now, I would like to return to specific provisions of H.R. 2445 addressing myself to that portion of my completed statement found on pages 16 and 17.

The CHAIRMAN. Pull that mike a little closer to you. Closer than that. You will have to swallow that mike because they cannot hear you in the back of the room.

Mr. DUPONT. Turning now to the provisions of S. 2844, I would like with the committee's permission to discuss first those parts of the bill which deal directly with our Commission. Some of these are similar to or identical to the provisions we commented on in our letters and testimony regarding the House bills.

CONFIRMATION BY THE SENATE OF POSTAL RATE COMMISSIONERS

We have stated before that in confirmation of nominees to the post of Commissioner whose term has expired that he should be able to continue in service until his successor has qualified and that is still our view. We are particularly pleased to see that a provision has been added allowing a Commissioner to hold over in office until the successor has qualified.

For the reasons I have suggested above, we think it particularly important that our Commission be up to strength at all times.

S. 2844 ALSO PROVIDES FOR ELECTION OF A VICE CHAIRMAN

Regarding the vice chairmanship—on page 18 of my statement, S. 2844 makes amendment in two important areas. We have discussed among ourselves the question of greater centralization of administrative functions in the Chairman's office, a matter which was also covered in the House bill.

The Commission on its own issued a rule making a similar provision, and Commissioner Villarreal was elected to the post. If the provision here were enacted, we would simply continue under our present arrangement which is virtually identical to what is in the bill.

With regard to administration of the bill at page 18 and 20 of my statement, the proposal to centralize many administrative functions in the Chairman's office would well be useful. In the past, however, we have found it helpful to interview professional candidates, and make hiring decisions on a collegial basis. I think this arrangement is valuable in insuring a good working relationship between the Commission and the staff. However, the Commission's workload is increasing and will no doubt continue to do so. Valuable as we have found this personal contact and collegial decisionmaking on employment matters in the past, we recognize that it should not consume an undue proportion of the Commissioner's time.

We would, therefore, endorse the principle made by S. 2844 which would centralize employment functions in the office of the Chairman with the one exception and that is the category of employees who advise and report to the Commission directly. We therefore urge that the bill be amended to include these collegial practices with respect to these provisions. Such an arrangement would take very little of the Commissioner's time and it would pay dividends in the form of better working relationships between the Commissioners on the one hand and the staff members directly advising them on the other.

At one time I had given thought of moving to the general schedule. However, on reflection and after reviewing the process, we deemed it best to remain as presently in law.

Referring to pages 20 and 21 on provision of budget. The Commission also favors the concept of an independent budget as opposed to the present arrangement of a limited budgetary supervision by the Governors of the Postal Service. While for the most part, the present system has worked reasonably well, it is distinctly anomalous to have the regulated entity responsible for reviewing the regulatory agency's budget. We believe the Senate version is simpler and better.

RESTRUCTURING OF RATE AND CLASSIFICATION PROCEEDINGS

Restructuring of rate and classification proceedings at pages 22 to 27. Section 5 of S. 2844 would impose a 10-month deadline on Commission rate and classification proceedings. We are opposed to this limitation for a number of reasons. Before discussing them, however, I would like to state that S. 2844 definitely improves upon the House legislation in that no change is made in the procedural requirements

themselves. I discussed earlier the reasons why a trial-type hearing is beneficial. I would only add that we seriously doubt that the arrangement proposed in the House bills would save much—if any—time.

As the schedules in appendix B shows, we are determined to meet—using our present procedures, appropriately streamlined—a deadline substantially the same as proposed. And we fully expect to meet that goal. We do not, however, believe that such a time limit would be desirable as a matter of legislation. Future rate cases may hold unforeseeable complexities, requiring estimates more than 10 months to decide. On the other hand, as parties become more used to our procedures—and if we are able to obtain, through periodic reporting and otherwise, a better data base—less time may be needed.

In any event, as we understand the provision, the only consequence of failure to decide within 10 months would be to enable the Postal Service to put temporary rates into effect.

It is, of course, impossible to say that whether the exchange of a short waiting period for the right to increase rates, on a temporary basis, without limiting it, the old rate would be a benefit or a burden to the Postal Service. In its present financial circumstances, the Postal Service is seriously short of funds and it could well be an added fiscal handicap. There are other aspects to the problem as well.

However, if a statutory deadline is to receive further consideration, I would suggest that deadlines be established for the various stages of the total hearing about decisional process. The time sequence in Appendix A to my statement show these stages separately.

I would suggest for informational purposes that the committee review a bill affecting a sister regulatory agency—the ICC. This bill, S. 2718, section 303 was reported out of the committee on January 23, 1976 and is scheduled for floor action today. I just came across this bill yesterday and reviewed it overnight, and I do suggest it for informational purposes to give the committee some insight into what regulatory agencies have done. You might also choose to review that agency, which the particular bill affects. It does also get into the stages of the administrative hearing process.

The CHAIRMAN. That bill is in relation to what agency?

Mr. DUPONT. ICC, Mr. Chairman. The Interstate Commerce Commission. And I would suggest that for informational purposes.

The CHAIRMAN. All right.

Mr. DUPONT. That particular bill not only recognizes the administrative process but allows scope to the agency's sound discretion to determine that extra time is needed for some cases.

Before turning to those parts of S. 2844 which do not directly affect the Postal Rate Commission I would like to touch upon some ideas which we believe could usefully be included in any new legislation.

The unique structure of the Postal Reorganization Act under which the regulatory agency's decision is only a recommended disposition while the regulated entity makes in certain limits the final decision, this arrangement has not to date caused serious difficulty. But it is nonetheless a complicated process. Perhaps needlessly so.

Under the present section 3641(a), temporary rates may not be kept in effect more than 30 days after the Commission transmits its recommended decision to the Board of Governors under S. 2844 they

can be retained for 150 days. Right now that is not the case. Naturally we would contemplate asking full rights in the Postal Service for rehearing and would seek judicial review if our decision would be made final.

REPRESENTATION IN THE COURTS

At pages 28 and 30 of my discussion we are all agreed, however, that it would be desirable for the Commission to have a right to be represented by its own counsel. The Justice Department under existing law is charged with representing both the service and the Commission in court litigation. But that law makes no provision for situations where two official clients are putting forward conflicting positions. In the case where the issue had to be resolved by the somewhat clumsy expedient of having the Justice Department advocate the Postal Service's position simultaneously attached to its brief informational memorandum of law prepared by the staff and setting forth the Commission's views on the subject. The Department of Justice is doing this now, representing both us and the Postal Service. It was placed in the difficult position of deciding which view to advocate. It was necessary to have the Commission's view, which prevailed in the district court, presented to the appellate court by an auxiliary memorandum, appended to but not adopted as part of the Justice Department's case.

This cumbersome situation, we believe, should be corrected by providing the Commission—or, indeed, both the Commission and the Postal Service—with full authority to appear by their own counsel.

POSTAL SERVICE APPROPRIATIONS

Regarding appropriations on pages 31 and 32 of my full statement. Since we do have before us in our current rate case, numerous litigated questions regarding the revenue needs of the Service, and since the resolution of the competing demands of many government programs is peculiarly the province of Congress, we would respectfully defer to the legislative judgment on the question of Postal Service appropriations. We have one technical comment on section 2401(f), however. With regard to the rigid 10-percent limit on the downward adjustment on fourth-class rates might better be replaced by a direction to us not to reduce such rates "disproportionately," or else defer for consideration in light of current facts when each year's appropriation bill is passed.

I would elaborate that I have suggested changes in my appendices here, too.

Regarding pages 33 and 35 of my statement, the proposed Commission on Postal Service seems to us to duplicate much of the work our Commission already does. Certainly the determination of actual and reasonable cost and the estimation of appropriate revenues are rate-making functions, which we are charged with performing by statute. We would suggest, accordingly, that Congress consider assigning some of these tasks to the Postal Rate Commission, or alternatively, give us joint responsibility with the proposed Commission on Postal Service.

Mr. Chairman, that completes my prepared remarks. My colleagues and I would welcome your questions and those of Senator Fong.

The CHAIRMAN. Thank you very much, Clyde, for pulling that together so tightly for us.

We do have some questions we would like to have you consider with us.

Page 33 of your prepared statement. You recommend that the Postal Rate Commission be assigned the responsibility that in the bill we were proposing to assign to a new Commission to study the public service factor in postal costs and how that ought to be translated into income as a replacement for income otherwise lost. Our general understanding about that proposal in the bill and why we put it in there was that there was a one-shot commission. Because in our experience over the 4 or 5 years now that we have had the new system getting underway the issue of legitimate public service advocacy or accredited remains ambiguous. That is, we are not sure ourselves and I do not know of anybody that is sure. And for that reason we want to try to achieve some kind of equity of guidelines on it. And that was the reason for our recommending the special Commission to review the question carefully.

Now, we understand also the relevance of your objection to the Commission's being lodged where we have it in the bill and that this task be assigned to your Commission. The hesitancy that I have about that and thus the basic question I would have to raise is that the track record of the Postal Rate Commission in carrying the load that it already has does not lead one to jump to the conclusion that they need more work. They are already bogged down for lots of very real reasons. And if this were a proposal for a permanent body to be reviewing the public service factor then I think there would be great validity to the suggestion that that ought to be lodged with the Postal Rate Commission because there has to be a factor that the Commission takes into account at all times.

But as I see it now there is a larger question for the moment than the immediate priority of setting your, or reaching your decisions in the pending cases. That would have nothing to do with the decisions that you have pending now that have you clear up to your ears and ought to have you clear up to your ears. That is what this is all about.

Therefore, we felt that this was a more direct way to get at the larger problems so that we could then proceed to get it nailed down to its tighter application, once a formula or a new assessment or a new set of guidelines could be arrived at.

So that was the basis for it. So I appreciate your point. Would you like to say more about that?

Mr. DUPONT. No, Mr. Chairman.

As I stated in my summary, that certainly we will cooperate with whatever Commission is formed. The last two parts as we see it, the stimulation of revenue that the Service can be expected to derive from operations and the recommended program based on the number of policy considerations is set forth in our statute. I think we would cooperate with the Commission in this respect.

Yes, we do have a primary function. But we also feel we could be of service to the Congress and the Commission. And this is why we also suggest possibly a dual assignment of responsibilities here.

The CHAIRMAN. Very frankly one of our misgivings—and I think it is not without cause—would be that if we were to abide by the thoughtful suggestion that you have made that we would end up with a staff report. I do not see where the Commissioners themselves

would have that kind of time if they meet the responsibilities of the rate cases that are already pending and that will be pending. And we are not interested in another staff report. We can get a staff report up here. We want the best men we can get to zero in on that and do nothing else but zero in on that, not with the benefit of staffers telling him what to do and signing a report so they can put their name on it.

We think this is going to take a searching inquiry from a larger advantage or position or perspective. So that is the reason for it.

Mr. DUPONT. We stand ready to cooperate in whatever way the Congress decides to go.

The CHAIRMAN. We have not resolved this totally but I am explaining why we felt we should lean that way. We will consider it fully in light of your testimony.

Mr. DUPONT. Also the debate that went on in 1969 and 1970 over what appropriations should be, and I fully understand the concern of the chairman and the Congress to get a more refined and objective view, at this time, after the so-called shakedown period on public service needs.

PUBLIC SERVICE APPROPRIATION

Senator FONG. The law provides for a 10 percent subsidy on the 1971 budget. In filing your rates what considerations have you been giving to the public service factor? Have you just taken that 10 percent as a public service factor?

Mr. DUPONT. We do not take it into consideration, Senator Fong, in that way. The revenue needs of the Service, what they submit to us for rate setting purposes, is their full revenue need and shows deductions for appropriations for public service. It also shows an estimate for revenue foregone. We then apply our rate or crank into our rate schedule the revenue that would come from rates alone.

Senator FONG. And the question of public service factor has not been given very thorough investigation?

Mr. DUPONT. That is completely within the province of the Congress in our view.

Senator FONG. In your deliberations and in your hearings, do you get an input of what the public service is? Have you been able to discuss that?

Mr. DUPONT. That is a matter of law and statute. And since it is 10 percent of the 19—I think it is 1971 provision for the old Post Office Department—that was just going through the transitional phase at that time.

The CHAIRMAN. Do you exempt that 10 percent?

Mr. DUPONT. Yes, sir.

The CHAIRMAN. From your rate examination?

Mr. DUPONT. Yes.

Senator FONG. What I am trying to say is that certainly in arguing for a lower rate, the participants would argue that there is a tremendous public service factor. Do you get that in your hearings?

Mr. DUPONT. No, Senator Fong, because the public service appropriation is not a part of our proceeding at all.

Senator FONG. No. But naturally the thought is litigation.

Mr. DUPONT. Yes. They mention it in the record—the fact of public service appropriation.

Senator FONG. If I were a mailer interested in holding down rates, public service would be a very, very big factor. I am quite sure that in your hearings some mailers would naturally take the position that the Congress does not give the public service factor the consideration it deserves.

Mr. DUPONT. At this point, Senator Fong, although mention is made in the Postal Service filing of this appropriation that has not been a factor for our consideration.

Senator FONG. I am surprised at that.

Then would you feel that your Commission could enter into this phase of the work without being distracted too much from your own duties?

Mr. DUPONT. The Commission's staff has made and are continuing to make a detailed study of the revenue needs of the Postal Service. It is in this context that we suggest that we should provide some of this information to the Congress or to the Commission if it is established.

Senator FONG. I cannot see how you could get away from it.

Mr. DUPONT. It is all a part of it.

Senator FONG. Yes. It has to be a very considerable factor in your deliberations.

Mr. DUPONT. It is.

Senator FONG. From that standpoint I think your Commission would probably be the better commission to handle it.

Mr. DUPONT. And we will cooperate fully in whichever way you decide.

The CHAIRMAN. This has to be resolved. We are just trying to make the best decision on it. The factors for us is not alone that it is an ambiguous area yet but the preceding administration and this administration have been almost adamant, adamant on any allowance for a public service factor. And it has been very difficult in the light of that attitude, even though the preceding administration had a great hand in helping us put together this bill. And we still find it almost impossible to get from the Office of Management and Budget a commitment on the factor.

Now, we are going to have Mr. Lynn up here on the 16th of February, I guess it is, and we are going to the mat on this. The issue of the public service allowance is a big factor, and we are going to have to find some common ground from which we can proceed.

Because the White House is going under the Blount run-it-like-a-business corporation philosophy, forgetting that there is more in this national monopoly than A.T. & T. or General Motors or anybody else ever had to contend with.

So it is a factor. The post office is one of a kind. The system is one of a kind. The responsibilities are one of a kind. And it is a little different factor. And the Congress cannot do it alone. That is the reason why we need to try to find combined support and that is one of the reasons why we suggest that you might end up doing nothing else but looking for the public service formula and you may find your rate cases pending way on into the next generation. I know that would not happen under your regime but nevertheless it would be a burdensome thing.

Mr. DUPONT. If I may again, Senator Fong. Some of the parties have made mention of this. I can only mention that the issue has been raised that in considering ratesetting we consider other provisions of the bill. For example, transitional appropriations are provided for, employee-management bargaining is provided for, these can be used to reduce the rates, and the Postal Service should continue to come to the Congress for additional transitional funds. The parties further suggest we should take into consideration borrowing, and urge the Postal Service to borrow more to hold down the rates.

So those provisions of the law have been raised in the case.

Senator FONG. When we passed the bill, 10 percent of the 1971 budget was decided on as the public service factor. Whether that is correct, we do not know. Whether it is too high or too low, we do not know.

The CHAIRMAN. We had made the best guess we could.

Senator FONG. Yes.

But some say there should probably not be a public service factor here, as in the case of the utilities and the airlines and other common carriers. In these cases, there is no such thing as a public service factor. You service cities that probably do not pay any charges but that is cranked into the overall structure. And whether in the case of the Postal Service, we should crank in the public service factor, I am uncertain. But the Congress did, however, set the public service factor at 10 percent. Now whether that 10 percent is high or low is something which you, this Commission, will have to decide if the Commission is given that responsibility.

The CHAIRMAN. Would my colleague be willing to amend his statement: that until you or this special Commission reviews it and has its recommendations and has decided, from that point on it is very clear. It is one of your basic functions which is to translate that into rate decisions, whatever the final recommendations and decisions that we all agree upon become. However, it is—

Senator FONG. I think that whoever has this function should decide whether there is a public service factor here. There is some argument as to whether there is a public service factor. If you take the analogy of the airlines and the utilities, there would be no public service factor cranked in for the Postal Service. The lower-paying places would be carried by the better paying places.

I think my colleague here does not agree with me on this matter.

The CHAIRMAN. Not only do I not agree with you but may I say, sir, if I may wave the flag and hide behind it in this Bicentennial year that there is no comparison between an airline and this situation. An airline in general has to pay its way and pay its shareholders. But the Postal Service of the United States was conceived with one basic premise and that was to bind the Nation together with a guarantee of equality of service even in Wyoming or Alaska or Oklahoma or Vermont or Utah or South Carolina or North Dakota or West Virginia.

I am saying—and Hawaii, although I might make a better case for United there because its own litigation in that area—

Senator FONG. United makes a lot of money from the Hawaii trip.

EIGHTY PERCENT NOT ON PAYING BASIS

The CHAIRMAN. Yes.

The real point is that in three-fourths, 80 percent, I am told of all of our 30,000 post offices, 80 percent of them could never make it on a pay-as-you-go basis. They do not have that kind of volume of business. But do you say to those people in the low population areas, you do not get the kind of service that others get because you chose to live in Paradise? And the answer under the postal concept and its origin, and I believe it must continue, is that there is no way we are entitled to penalize individuals because of the beautiful geographical area they choose to live in. If you want to live in the city in order to have a better chance of get lower postal rates that is your decision.

The lowest postal rates of all are in the Soviet Union where you can get the best there—when it is delivered—at 5 cents right now for a first-class message. And if that is what you like, that is what you get. But I think we lose sight of the real reason in most of these communities. In 25,000 of the 30,000 in the Nation the post office is the only presence and symbol of the Government of the United States of America. And that is a part of the cohesiveness that we think is important in the national concept.

So somewhere along in there is a public service requirement.

Hiram and I have talked about this many times and I just cannot see it handed over to the private sector without paying five bucks to get a letter in any place except in Wyoming where the United Parcel Service is doing a remarkable job of reaching Spotted Horse.

Senator FONG. I think you misconstrued my statement.

The CHAIRMAN. I had to make a speech and I had to miscontrue it in some way to make the speech.

Senator FONG. I am saying that the overall picture is one organization. That one organization, in serving better paying places as well as the lesser paying places, would be like the utilities; for example, while you supply a carrier to a very distant place, you don't say that fare is higher or should be higher than the fare that is imposed upon those of a more populated place. You can make a general tariff and—

The CHAIRMAN. That is only when flying to Hawaii. And even now try flying north and south in mid-America and you would be amazed. If I may make your case for you, it is cheaper to Hawaii. It is a cheaper rate per mile than you can fly from Casper, Wyo., to Chicago and/or Casper to Dallas. North and South we have a tough time. You have competition East and West.

Senator FONG. It cost me as much as \$700 to go home.

The CHAIRMAN. If you translate our cost, my colleague, you could not afford to go home.

Senator FONG. When we set up the reorganized postal system here we said, "you pay your way;" and now we are trying to say, "since you are not paying your way, the Government should come in and pay a big portion of that." This subject is to be argued again and we will see where we come out. I think that it is good that we should be doing that from time to time.

Mr. DuPONT. Mr. Chairman?

The CHAIRMAN. We will review it and hopefully I will out vote you.

Senator FONG. I know you will out vote me.

Mr. DUPONT. If I may comment. Be it Paradise, Pa., or some other place.

The CHAIRMAN. There are some more interesting towns near Paradise, Pa.

Mr. DUPONT. Yes. And I understand what you are saying.

The CHAIRMAN. Also in your testimony, Mr. Chairman, you raise the question again, and rightfully so, about the finality of the Commission's decisions in a rate case. And we speculated over that a long time when we put together the reorganization bill because it is a complicated question. And we had to start with the concept of the Postal Service that we have and what it was, what it ought to become, and we rejected the idea that it ought to become a corporation in the business concept. That was finally flatly rejected from the concept we put into it.

We decided it could well be run like a business in terms of efficiency and there were a grant many business techniques from which we could learn a great deal. But it was not to be run like a corporation with isolated and selected-out clientele. There was a national monopoly and an independent Federal agency. And so in that concept we finally added the provision after much hesitancy, and we are not sure still on these things, that if we were to assign to the Postal Service the responsibility of fiscal integrity on all of this that to repose with an independent Rate Commission an opportunity to take the final action on the income end of the Postal Service, that this was really counterproductive in any theoretical and ultimate confrontation.

So we chose quite arbitrarily and without experience at that time in the operation to assign to the process the possibility of a final rejection of recommended rates by the Board of Governors.

The Commissioners had expertise, the Postmaster General had administrative responsibility, the Congress had the feel of input from elections. But those out in the hinterland not running for office, not considering public applause, all those should have an input. And the idea was that the Board of Governors in the process would be a reflective and responsive group to have input. And so in the management process we felt that as an ultimate factor, not as a procedural factor, that you had to reserve some place with the possibility of protecting the Postal Service from immediate financial problems.

Your case is a very good one for having yourself terminate the whole process. But if you will recall, you worked here and helped to write it, the Rate Commission idea was put in by the Congress over the protest, strong protest and screaming of Postmaster General Blount.

We believed that we had to get the Congress out of the ratemaking business and in doing that we could not just dump it out and let it float in outer space. We had to pin the responsibility in the most responsible way we knew how and that was to create a parallel independent Commission in the decision process.

So that is the "why" of it. And we are still troubled by it and we are not sure. So that is the reason for the existence of the difficulty. Your thoughtful recommendation is that perhaps we ought to end it all with the Commissioners' decision.

I have reservations about it but I wanted to look at it in light of your testimony, and I am sure the members of the committee will want to look at it all again, also.

Mr. DUPONT. As I suggested in my statement, there is a difference of opinion. Three of us believe that the finality of our decision should be made and two do not. In reflecting on the agonizing decisions made back in 1970 with regard to whether the Commission's decision should be final or subject to review by the Governors of the Postal Service, the sensitivity of this is obvious. But having gone through one rate case and being involved in another one right now, the majority of us feel, that by giving us a final say on rates would not leave the Postal Service without recourse. They do have recourse to the courts.

Granted that may possibly be a long legal process, but they may also ask for a rehearing. I feel we have a very excellent group of Commissioners on board, and that such caliber of people will be continued.

The CHAIRMAN. If I may say, it has not always been thus. That is the problem.

Mr. DUPONT. I only know from my experience and what I have seen since being with the Commission.

The CHAIRMAN. That is right.

We have to write a law that goes even beyond you.

Mr. DUPONT. Yes, sir.

The CHAIRMAN. You may be young enough that maybe it will be a long time that we can continue on with you for the next decade or two, then we are in good shape.

Mr. DUPONT. I would sincerely, being the optimist, think that the guidelines that we have set in our decision will help tremendously in expediting cases and that the rate decisions we may set or that we may issue will be solid and sound. The confidence that I have in the Commissioners and the Commission for getting a, quote, "good decision" out, and cranking into our decision the effect on the Postal Service, argues for giving us finality.

Senator FONG. In arriving at your decision, are you sitting en banc now listening to all of the evidence presented or are you proceeding the way you did in the first case where you had a hearing examiner?

Mr. DUPONT. No, sir. As I said in my testimony, we are sitting without an administrative law judge. I preside with all of the Commissioners present. Rulings from the bench are made, and we hear all of the evidence by all the parties.

Senator FONG. In the previous two cases, did you have an administrative law judge?

Mr. DUPONT. Yes. Although the Commissioners did sit in on the hearing from time to time.

The CHAIRMAN. Some of them were without a sense of responsibility about how you meet postal costs—administrative law judges I am speaking of. Do not comment on that or you will disqualify yourself.

Mr. DUPONT. Commissioner Saponaro would like to comment on that.

Mr. O'DOHERTY. Prior to that may I speak for the view of the minorities on that.

I just want to speak briefly about that in concurrence with the general thrust of your comment. After all, this Commission is now 5 years old and it is a matter of record that not until the recent recommended decisions on the second rate proceedings, that is, the majority of the Commission, in the thrust expressed for the Commission with the all important question of the cost, accounting cost processing, the rela-

tionship and the viability theory. This, despite two protracted proceedings one of which you have just alluded to. Now, without questioning for a moment the expertise or the lack of it on the background of our predecessors, the Chairman of our Commission, myself, and Commissioner Miltich are recent arrivals on the Commission of approximately a year.

For the sincerity or competency of the law judge it is a fact that the Chairman of the Commission's statement to the question is correct. We are at an early state of the Reorganization Act. We are dealing with massive, complex analysis as you have stated, Mr. Chairman. We are also urged by the report to which I have alluded under separate report on the bill as it went to the Senate in 1970, the Postal Reorganization Act to work in harmony with the Governors. They are themselves invested with enormous responsibility. Their overall responsibility, the Board of Directors, and the Federal Establishment of a quasibusiness, in order to achieve that kind of a working relationship it seems to be overreaching to confer finality on a decision made by this Commission. That is not to derogate for one moment from the competency, expertise, judgment, and hard work put into a rate case by this Commission.

This Commission can be wrong as others have been wrong in the past. And I allude in my statement to some experience which I am sure you are familiar with. Some are erroneous but some are arrived at, such as the Federal Power Commission and we could go to the CAB decisions, et cetera. I think the decision by the Senate and the House in reenactment of the Postal Reorganization Act was indeed the review procedure involved in carrying through the classification and service adjustment matters. It allows a working relationship and I would grant that I do not even think down the line after 20 years of massive experience and carrying it to the final extent that finality should be accorded to this Commission because of the working relationship that should be and must be achieved with the managers of the Postal Service themselves.

The CHAIRMAN. I appreciate your statement and the statement you have supplied for the hearing. It will be made a regular part of the proceeding. That will be supplemental to your statement just now.

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

[The prepared statement follows:]

SEPARATE STATEMENT
OF
COMMISSIONER KIERAN O'DOHERTY
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE

January 28, 1976

Statement of Commissioner O'Doherty, joined in by Commissioner Villarreal, opposing suggested legislation to confer finality to Commission decisions.

It would be most unwise, particularly at this early stage of experience under the Postal Reorganization Act, to amend the Act so as to confer finality, subject only to court review, upon the Commission's "recommended decisions" to the Governors of the Postal Service on rates, classifications and service adjustments. Conferring such finality to Commission decisions would undermine the interaction and checks and balances between the Governors and the Commission in these critically important aspects of Postal Service operations which were prudently built by Congress into the present statutory scheme.

In their managerial capacity, the Governors of the Service must bear primary and major responsibility in these areas as the Act now provides. Their knowledge and expertise with respect to Postal Service operations play a central role in proposed rate, classification and service adjustments.

Furthermore the constraints placed upon the Governors' decisions in these areas under the present statutory scheme are substantial. As the Court of Appeals noted in its opinion affirming the Governors' decision approving the Commission's recommended decision in its first rate proceeding: "Technically, the Postal Rate Commission merely renders a 'recommended decision'. But, as the Board of Governors observed in its opinion in this case, the power of the Board to revise that... [recommended decision] is extremely narrow. See 39 U.S.C. § 3625 (1970)". Association of American Publishers et al v. The Governors of the United States Postal Service 485 F. 2d 768. (D.C. Cir. June 26, 1973).

The results of subjecting rate decisions by other federal regulatory agencies, such as the FPC, solely to review by the federal appellate courts under the standards of the Administrative Procedure Act are not reassuring. Congress recognized the inherent problems involved in a review of a massive and complex postal rate decision in the restrictive provisions of Section 3628 of the Postal Reorganization Act, which goes beyond the APA to constrain the Court in deferring to administrative expertise and discretion.

Furthermore the burdens of the dockets in the Courts of Appeals makes review of administrative decisions a time consuming process.

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This is sufficiently illustrated by noting that despite the provision of Section 3628 of the Postal Reorganization Act making an appeal from the Governors' decision in rate and classification proceedings "a preferred cause" requiring the Court of Appeals "to expedite judgment in every way", the Court of Appeals' decision upon the appeal from the Governors' decision in the first rate proceeding under the Act was not rendered until a full year after the Commission issued its recommended decision in that case.

The goal expressed by the Committee in its report submitted to the Senate upon enactment of the Postal Reorganization Act in 1970 is best served by retention of the present statutory scheme. This Committee stated that it envisioned the Commission to be at once "independent of the Board of Governors of the Postal Service" but at the same time "to be an integral part of the Postal Service [and] to be a true partner of the Board of Governors in every aspect of postal operations". The Committee cautioned that "[if] a bureaucratic struggle between the Board and the Commissioners develops, the whole theory of independent ratemaking judgments will have failed and the Congress will probably be called upon to revise the system". The Committee went on to say: "But if the individuals appointed to the Board on the one hand, and the Commission on the other, recognize

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the constitutional and legal responsibilities of their position and work together to achieve a truly effective postal service, then the independence of the Commission will serve a vitally important function by permitting them to view the overall impact of postal costs with a degree of detachment which the Commission considers vitally important to preserve the public interest and public investment in the largest civilian agency of the Federal Government."

In short, the suggested revision of the present statutory scheme would impair the appropriate working relationship between the Commission and Governors of the Postal Service envisioned under the Act and would be contrary to Congressional intent and to the public interest.

(END)

The CHAIRMAN. There was one other factor you have just raised we want to embellish just a little bit, Clyde, and it is all interrelated and you cannot separate them. That is the 10-month limitation we have on the decision process you have just alluded to some of.

Mr. DUPONT. If I may, we have Commissioner Saponaro and since he is the only charter member remaining with us he would like to comment.

The CHAIRMAN. One of the founding fathers.

I might say one of the reasons we ought to discuss this question, even though this is an election year, is that we want the founding fathers of the whole thing for one reason or another to be involved in the updating of it and sophisticating it and we have to take advantage of Hiram's decision that he has made with reluctance not to be around after this year. So this year is D-day for us.

Senator FONG. D-day for me.

Mr. SAPONARO. I was there the first day.

The CHAIRMAN. Right.

Mr. SAPONARO. At the Rate Commission.

I would like to go back first to the question Senator Fong was raising about the attendance by the Commission in the first two rate cases.

We did attend the hearings, the Commissioners, even though an administrative law judge did preside. We did participate and we did examine witnesses when we felt there were questions that we had.

Now there has been criticism concerning the protractive nature of these hearings and anything that is not done today is taking too long, it should have been done yesterday. I think that is the general concept.

We were starting out, as you gentlemen know much better than I, administering a new law. And there were some 38 different classes of postal services and an inadequacy of data to support those classes of service. In other words, they had developed and initiated those 38 classes of service but they did not have the cost data to support them. We did not initiate them and that has been one of the main jobs we have had, namely to get the kind of data that is necessary so that we could render a decision. One of our major responsibilities is allocating the cost between classes of service.

So I don't think—I think the criticism concerning the protracted nature of these hearings must be considered in the light of what we were trying to do and the inadequacy of the information that was made available.

Now, Senator McGee, you raised a question concerning the financial considerations of the Postal Service. I think we have been very conscious of it right from the beginning. It was at the Commission's urging in the last rate case that the Postal Service submitted revised estimates of cost because of the public statements being made elsewhere by its representatives as to the inadequacy of the rates filed. They had the right to submit revised estimates to increase those estimates to request increased rates above those for which they filed. They chose not to do so.

Now I know you gentlemen are aware of the fact that I did dissent. I did take the deficiency of costs into consideration in my dissent. I did recognize there was a deficit in the Postal Service according to the records that had been made. And I did submit alternate rates to the Board of Governors to take care of the deficit which was part of the record.

So we have been conscious of the financial considerations of the Postal Service as they made them and have chosen to make them on the record. Because we are charged with the responsibility of administering a law to distribute costs among the classes of service and I agree the Postal Service has a responsibility of stating what its financial requirements are.

The CHAIRMAN. I want to record at this point and at this moment for history that somebody worked on the buzzer up there so that we could proceed without holding our ears. Yesterday it was total bedlam in here.

I did not mean to interrupt you, sir.

Mr. SAPONARO. I am in wholehearted agreement with what our chairman has stated with respect to the finality of our decisions. I have been through two cases and I think it would be helpful to the Commission, it would be helpful to the Postal Service, in my judgment. In other words, they would have a greater responsibility in the first instance in the filing that they submitted to us. And we would have then to discharge our responsibilities recognizing that we are subject to court review directly.

So I think it is a carefully considered suggestion which the chairman has made on behalf of the majority with respect to the finality of our decisions. We are doing this after we have had two rate cases. So it is not a situation where we have not had some experience. I think that judgment that we submitted to you, Mr. Chairman, is a result of our experience in two cases.

The CHAIRMAN. We appreciate your comments, Mr. Commissioner, and doubly so because you are the one continuing thread through all of this in the history of the Commission itself and its experiences. We will review your comments on this in detail because we respect that very much.

The fact of the 10-month limitation—a factor that concerns us—is that, in the short run now given the cases that the Commission has had time to consider until it came into being—you were down there, Clyde, and it was very difficult, for understandable reasons that they were plowing new ground. And the first time around in your decision, I am sure you would agree with it, Mr. Commissioner, you had to make that decision carefully because it would be accepted as the guideline for the next time or possibly a precedent, even though it had nothing else going for it except it was a way of getting started in the right way.

The question is, "How long shall the Commission deliberate?" And this provision gives you a benchmark by which you can measure your progress as you move along. You will recall yourself the many conversations, the long deliberations, in an attempt to speed up the process when you were still considering a rate that had been out of date many months and had not yet been approved.

So it was that sort of situation that required us to draw that line at 10 months. And I, as a self-appointed student of public administration with no background and no record of expertise, would have to say that it may be a necessary limitation. But again I am not wedded to that provision. It is just where it seems to come out for me now. It makes a little more sense now than it may make 10 years from now.

Mr. DUPONT. In response, Mr. Chairman, modestly becomes you, but after 18 years serving in the Senate, I think your expertise is far above any formal study that anyone could have done on public ad-

ministration. But I view the record of the second rate case, even though it went much longer than we intended it to, as many issues were surfaced for us to consider. That second case surfaced many, many issues and many of them have been laid to rest.

I feel, along with my colleagues, in coming out with the second rate decision, that that decision should be an instructional decision, where we considered various cost approaches, economic studies, and decide which way we wanted to go. We wanted an instructional decision. We did come out with what we considered to be a benchmark decision for our Commission. Our decision did lay out certain principles and policies by which rates would be set.

So in this context, I view the record of the last case as being very helpful not only for us, but our successors in future years.

With regard to the time limitation, as I stated in my statement, we feel that to restrict us to a statutory limit of 10 months would be doing a disservice to ourselves possibly, but more to the parties. Complex issues may arise in the future, and more time may be needed to study those issues. We have taken steps to expedite our proceedings, and we shall continue to strive for expedition. However, we would rather have control over them.

I had thought at one time of suggesting that you call the Commission back after the completion of the present case to give you a view in retrospect of what happened over the 10-month period, and how we viewed the proceedings. I now make that suggestion that, after we finish the present case, you call us back and seek our views or we will submit them to you. But our view is, we would rather not be under a statutory restriction of 10 months at the present time. It is very complex, and new issues may arise as I have stated in my previous statement.

So I would need not—

The CHAIRMAN. I was trying to get off the hook also so that I do not have to make speeches on the floor, to be sent down to you to say, let's get going. We thought it would be helpful all the way around.

Mr. DUPONT. I would like to also comment—

The CHAIRMAN. I am going to have to interrupt you.

We have a vote on right now, and it apparently is going to be followed by a vote, after which we are to be assembled and marched to the House for a joint session to hear Prime Minister Rabin this afternoon. Since we heard Sadat, we have to give equal time. We have one witness pending here and I want to suggest a procedure in regard to Mr. Anderson's testimony who is representing GAO.

That is, we have your statement and for the moment let us go into it with questions and then call you back for whenever that seems necessary. I think that may be the most effective way to tighten it up right now without you all hanging on here until we get back in the middle afternoon sometime.

Mr. DUPONT. We welcome the opportunity to come before you and we will answer whatever questions you have.

The CHAIRMAN. You have done an excellent job this morning. We appreciate your candor in sharing your views. They are extremely helpful.

[Whereupon, the hearing was adjourned at 11:30 a.m.]

[Prepared statement of Mr. DuPont and other communications follow:]

STATEMENT OF CLYDE S. DuPONT
CHAIRMAN OF THE POSTAL RATE COMMISSION
BEFORE THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
UNITED STATES SENATE

January 28, 1976

Mr. Chairman:

It is a pleasure to appear before this Committee to express the views of the Postal Rate Commission on S. 2844, the proposed Postal Reorganization Act Amendments of 1976. As the Committee no doubt knows, we had the opportunity last year to appear before the House Subcommittee on Postal Service to discuss a related legislative proposal, and we welcome the chance to be heard on these important issues now under consideration by the Senate.

Before proceeding further, I should like to introduce the other members of the Commission: Vice Chairman Carlos C. Villarreal, and Commissioners Paul A. Miltich, Kieran O'Doherty, and Frank P. Saponaro.

We have prepared both a detailed statement and a summary statement for today's hearings. With the Committee's permission, we should like to have the full statement put in the record, and I will present the shorter version at this time.

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I.

INTRODUCTION

We are appearing before this Committee at a time of considerable public interest in and concern regarding the present postal system. No one would deny that problems exist, and that sharp disagreement over how to resolve them is to be expected. Because of this general climate of public interest and concern, we will be addressing ourselves to some of these general problems as they touch on our regulatory functions--and the achievements recorded in attempting to solve them--as well as to the specific provisions of S. 2844.

In response to this public concern, I believe we can say without exaggeration that the Postal Rate Commission has made progress toward attaining the objectives that Congress set out for it in the postal reorganization legislation of five years ago.

Since that time, the Commission has given practical substance, in workable form, to the standards of costing and rate design which Congress set out in general terms in our statute.

* We have--particularly in our second decision on postal rates--^{1/} drawn up a comprehensive list of improvements in the costing process

^{1/} This decision was signed by me as Chairman and by Commissioners Miltich, O'Doherty, and Villarreal. Commissioner Saponaro filed a dissenting opinion.

which we urged the Postal Service to follow, in the interests of a fairer and more scientifically designed rate structure. The Service has, in the current case, followed many of these admonitions.

* We have streamlined the hearing process required by our statute, while preserving the procedural rights of the public. Even from parties who disagreed with their substance, there has never been a complaint that a fair hearing was denied in reaching our decisions.

* We have taken major steps toward overhauling the system of mail classification. The first phase of the massive mail classification proceeding is the subject of an agreed-upon settlement, now before us, which would effect a number of significant changes in the classification of several types of mail.

* We are now considering our first fully-litigated case under § 3661 of the Postal Reorganization Act, which should help to clarify the boundaries of our regulatory responsibilities and the Service's managerial discretion in altering the nature of service.

* We have developed internal procedures which enable the Commission, aided by its advisory staff, to issue detailed, comprehensive decisions in an unusually short time--in the second rate case, for example, within two months following final oral argument.

It is against this background of difficult problems and useful achievements that I would like to discuss both the Commission's present situation and the specific provisions of S. 2844.

A UNIQUE REGULATORY SITUATION

Although the Postal Rate Commission is one of the youngest-- and smallest--regulatory agencies in Washington, I believe the problems we face in executing our regulatory functions are as demanding as those confronting any other similar body. It is not simply a question of highly technical economic issues, conflicting expert opinions, and administrative hearing records running to thousands of pages. Every big regulatory case, whether concerned with electricity, airline fares, telecommunications, or railroad rates, generates scores of issues and volumes of conflicting testimony and arguments, all of which must be carefully weighed and analyzed by the agency.

Our task, however, involves a number of unique additional problems. Let me give some examples.

The full scope of the Commission's regulatory role is still under development. Unlike most utility and transportation enterprises in this country, the Postal Service does not have years of experience in dealing with regulatory requirements. And, parenthetically, we

should be clear that most of these requirements relate to the public's right to be heard--to participate in the formulation of Federal decisions affecting their personal and business lives. By comparison--taking only Federal agency jurisdictions--electric utilities have been dealing with the Federal Power Commission's oversight of their interstate sales since 1935. Railroad regulation in one form or another goes back to 1887, while the ICC has regulated motor carriers since 1935. Common carrier air service regulation, by the predecessor of the present CAB, began in 1938. And many of the companies that deal with these agencies of the United States had already been subject to very similar State regulatory requirements in earlier years.

By contrast, the Postal Service's existence as a government establishment subject to independent review of its rates, classifications and service goes back only to 1970. Its accounting and financial records have historically been geared to the Congressional appropriation process, rather than to in depth functional cost and revenue analyses needed for ratemaking and classification purposes. The process of mutual adjustment and understanding which in the traditionally regulated industries helps to define the proper roles of regulatory inquiry on one hand and management discretion on the other is still under administrative development in postal regulation. We have tried to accomplish this in a spirit of partnership,

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as this Committee envisioned in 1970. ^{2/} That process has led to some differences between the Postal Service and the Commission. Some of these areas of disagreement we discussed with the House Committee last spring, and one of them surfaced recently in a District Court lawsuit brought by an association of third-class mailers. I will be discussing that lawsuit in more detail later in my statement.

The Postal Service is unlike other regulated enterprises in some other respects. For instance, as to some of the services it offers, it enjoys a monopoly granted by law. As to others, it is engaged in direct and vigorous competition with privately-owned firms. Yet it is required to maintain rates that are fair to all its customers. It is not permitted to make a profit--39 U.S.C. § 3621 instead imposes a "break-even" standard--yet it cannot adjust rates to make up for sudden cost increases without consulting the Commission. It must--again, by statute--balance the demands of business management and economical operation against the requirement that it provide service to the entire nation even if service in some regions never recovers the attendant costs. Part of its income is derived from operations, and part from public appropriations voted by Congress. Thus the Service, and the Commission as well, must not only employ the concepts of public utility regulation but also

^{2/} 91st Cong., 2d Sess., S. Rep. No. 91-912, p. 13.

be prepared to analyze and adapt them to a unique regulatory scheme. In short, the Postal Service is not merely a government-owned utility but a unique hybrid organization: part utility enterprise and part public service.

With this unique situation constantly in mind the Commission, particularly in the last year, has attempted to establish a viable regulatory mode tailored to the task in accordance with our legislative charter. That effort is continuing. We are convinced we have made considerable progress toward resolving both substantive and procedural problems. In doing so, we have been dealing not only with novel issues but with a regulatory statute which breaks new ground in setting standards for regulatory action. Congress set forth specific criteria for the Commission's exercise of its rate and classification jurisdiction, and--as is invariably the case with a newly-devised regulatory standard--these terms and concepts must be given practical meaning through experience. In our rate decisions, particularly in Docket No. R74-1, where our recommended decision appeared last August 28, we have undertaken to do this.

TIME FRAME FOR COMMISSION PROCEEDINGS

Obviously, the hearing process in rate and mail classification cases is going to take a certain amount of time, especially if participants are to be accorded a fair hearing, as required by the Postal

Reorganization Act and the Administrative Procedure Act. Our decisional process, typically completed in about two months, is relatively brief.

There has recently been mounting criticism of regulatory agencies in general for permitting excessively lengthy proceedings. Some of this criticism, no doubt, is prompted by the fact that economic regulation usually proceeds on the basis of historical cost and revenue data, and--especially when prices or rates are in issue--such data have a short life in an environment of spiraling national inflation. From the standpoint of the regulated firm, any regulatory hearings--even a relatively short proceeding such as the current rate case before us--represents a temporary loss of increased revenues.^{3/} The fact that much of the current-day concern with regulatory matters springs from economic causes, of course, does not mean that such criticism is always unjustified.

^{3/} In a period of stable prices and declining unit costs, on the other hand, "regulatory lag" benefits the regulated firm by allowing it to capture savings which are not reflected in the case pending before the agency. This was the case in some regulated industries in the 1950s and early 1960s.

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Excessive delay in either the hearing or the decisional functions, and a stale record, are legitimate grounds for complaint. The agency's duty is therefore to proceed with as much dispatch as possible while not overlooking issues, making snap judgments on a poor or uninformative record, or cutting off the legitimate rights of parties to probe and question the assertions of their adversaries. There is no way in which we or any Commission instructed by Congress to hear and consider the views of the public can curtail litigation time beyond a certain bare ^{4/} minimum.

EXPEDITING THE CURRENT CASE

The Commission is accelerating its hearing procedures. In the currently-pending postal rate case, the five Commissioners are sitting en banc in the hearing itself, with the Chairman presiding, rather than having the hearings conducted by an administrative law judge. Thus there will be no initial decision in the case by an administrative law judge. We anticipate a significant saving of time as a result. Hearings

^{4/} As an illustration of the time schedules required by an agency administering a "seasoned" regulatory statute, we have included in Appendix A some recent statistics in Civil Aeronautics Board proceedings. They come from the Report of the Civil Aeronautics Board Advisory Committee on Procedural Reform, issued on December 31, 1975.

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began on January 12, 1976, with hearings being held every day. We have almost completed the phase dealing with the Postal Service's direct case. We are closely tracking the schedule we laid down for this case soon after it was filed, which calls for a decision toward the end of June, 1976. See Appendix B, PRC Orders No. 83 and No. 94. This is true in spite of the fact that we experienced some delay in filing dates because of the court litigation over temporary rates late in 1975.

We are also using other methods of expedition--especially informal methods of discovery--in our proceedings. Oral cross-examination of witnesses has been greatly reduced by the use of "written cross" with concomitant savings in hearing time. This is prepared in advance of the hearing, by addressing interrogatories to a particular witness of the other party. The interrogatories and the related answers comprise the "written cross".

We have found in the current rate case, as well as in some earlier proceedings, that a great many questions which would otherwise have to be put and answered orally in the hearing room are disposed of to the interrogator's satisfaction by this pre-hearing procedure. We require a party who wishes to pursue further a topic which has been the subject of written cross-examination to request leave to question the witness orally. While many parties do take advantage of this opportunity,

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the combination of written and oral examination is appreciably faster than the traditional practice of conducting all cross-examination "live" in the hearing room. Since the written cross-examination is filed in advance of the witness' appearance on the stand, the officer or officers presiding have an opportunity to turn over the issues raised in their own minds, and to go into the hearing room with a better grasp of the witness' theories and assertions.

Periodic reporting. One of the principal bottlenecks hampering our regulatory procedures is the obtaining of needed information from the Postal Service. It is here, in particular, that the older agencies have the advantage over us. Practically every such agency has a well-established system of periodic reporting by the regulated firms, which furnishes basic information and makes it a matter of public record. An intervenor in a proceeding before one of these agencies can often find, in the agency's library or public reference room, quantities of data which otherwise would have to be obtained from the company by document requests and interrogatories.

We are striving to develop a data reporting system which will allow us to maintain records of this kind for our own use and that of interested parties and the general public. Our hope is that a system can be developed which provides the information we need without burdening

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the Service with the reporting of useless minutiae. We have been, and still are, working as closely as we can with the Postal Service in this effort. During the first few years under the Act, the Service formally resisted our efforts to establish a periodic reporting system generally on the grounds (1) that we should have several rate cases "under our belt" before proceeding and (2) the expense associated with collecting and reporting data base information was unwarranted. See Docket RM73-1.

The importance of achieving such a system can hardly be overestimated. An establishment as large as the Postal Service produces, in the ordinary course of business, a staggering volume of statistical information. In furtherance of our goal of establishing a sound, comprehensive, and efficient reporting system, our Director of Planning and Operations, Mr. DeCain, recently sent a formal request to the Senior Assistant Postmaster General for Finance, enclosing a list of existing Postal Service data and reports which we believe we should receive regularly. We have copies of this letter and the list today, for the use of the Committee. All of the data we seek are relevant to rate and classification proceedings. To the extent it can be provided before these rate proceedings begin, there will be a proportionate reduction in the discovery and hearing phase of our rate cases. The Commission expects to begin a related rulemaking procedure on this subject very soon.

There are other ways in which an agency can save time in its proceedings, and we have not neglected these. We have adopted procedural and briefing schedules which are shorter than those commonly used in ratemaking agencies. Naturally, in deciding on measures of this kind we must respect the procedural and substantive rights of the parties. Our hearings are, in accordance with § 3624 of our statute, conducted under the guidelines of §§ 556 and 557 of the Administrative Procedure Act (5 U.S.C. §§ 556, 557). The safeguards of the APA, trial-type hearing, which we are required to observe, are as helpful to us as to the parties.

Congress did not intend the Postal Rate Commission to dispense rough horseback justice, but to arrive at the most equitably and scientifically designed postal rates and fees possible. The testing-- by cross-examination, rebuttal, and legal and economic argument-- of proposed rates and their justification, is the best device yet found for insuring that an agency decision will be rationally reached on a sound factual basis. Our task, therefore, is to streamline the trial-type hearing without vitiating its value as a mechanism for discovering the truth.

WHY A TRIAL-TYPE HEARING IS DESIRABLE

It is clear that Congress was conscious of the desirability of such a decisionmaking mechanism in postal regulation. The procedural requirements of §§ 556 and 557 of the Administrative Procedure Act--which spell out in detail the protections afforded to participants in an on-the-record proceeding--are specifically written into our statute. Those protections are a necessary part of meaningful public participation in the fixing of postal rates. In reporting one of the predecessor bills to the present Postal Reorganization Act, this Committee said:

* * * if rates and classifications are to be established on the basis of expert consideration of the overall value of the service provided and the allocation of costs on a scientific or quasi-scientific basis, then Congress should be removed entirely from the ratemaking and classification business. To enact a law which says that hereafter a particular class or type of mail or mailer will have to pay only that rate which Congress enacts by law will guarantee * * * that every time the Postal Service raises rates by administrative action, organized-mail users will use every available inducement to persuade Congress to include them within the preferential group. 5/

Thus Congress made the judgment in 1970 that rates and classifications should be based on a more elaborate and exact analysis than the time

5/ 91st Cong., 2d Sess., S. Rep. No. 91-912, p. 11.

and staff resources of the Legislative Branch could or should be called upon to provide, and that the public--whether or not organized into formal interest groups--should be heard in the administrative forum provided by the Commission pursuant to the Postal Reorganization Act. It is that public participation which we have attempted to provide, and I believe, successfully.

Unfortunately, at least from the point of view that expedition of our proceedings should be paramount, public participation requires a substantial expenditure of time. More than 50 intervenors participate in our rate and mail classification proceedings. In the aggregate they represent interests concerned with all mail classes and subclasses. Many of these participants--principally trade associations--are well known to the Committee because historically they appeared before you during legislative hearings on increased postal rates. Their participation before the Postal Rate Commission, however, is vastly different and much broader in scope. Thus, they--like parties in any Federal regulatory utility-rate proceeding--sharply question the Postal Service's economic, budgetary, accounting and statistical predicates for rate increases. This takes the form of cross-examination of the Service's witnesses sponsoring rate increases. rebuttal testimony by expert economists and accountants, comprehensive legal briefs and oral argument. Although the Commission has adopted hearing procedures

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to prevent the parties' participation from interfering with expeditious disposition of requests for rate increases, this facet of our cases continues to require a major consumption of hearing time. We know of no comparable rate proceedings before Federal regulatory agencies which have gone "full-term" to decision on a fully developed evidentiary record within a 10-month period, which is our current goal. At the present time we think this goal is going to be achieved.

Our prior related legislative testimony. Before going on to discuss particular provisions of the bill before this Committee, I would like to refer the Committee to our past comments on proposed legislation related to S. 2844. The proposal has had several forms in the House of Representatives. It was introduced as H.R. 2445, and the Commission offered testimony on that version in hearings held on March 11, 1975.^{6/} The Postal Service recommended certain changes in H.R. 2445, and the Commission commented on those in a letter to Chairman Hanley, which is printed at page 348 of the same House hearings. A revised version of the bill was introduced as H.R. 7718, and the Commission commented on this bill in a letter dated July 9, 1975. I have appended copies of that letter to my statement as Appendix C.

^{6/} 94th Cong., 1st Sess., House Committee on Post Office and Civil Service, Hearings on H.R. 2445, pp. 157 et seq.

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II.

Turning now to the provisions of S. 2844, I would like, with the Committee's permission, to discuss first those parts of the bill which deal directly with our Commission. Some of these are similar to or identical with provisions that we commented on in our letters and testimony regarding the House bills.

CONFIRMATION BY THE SENATE OF
POSTAL RATE COMMISSIONERS: "HOLDOVER" PROVISION

Section 3(a) of S. 2844 makes two major changes and one clarification in the organization of the Postal Rate Commission. The new provision for confirmation by the Senate of persons nominated to the post of Commissioner was in the House legislation, and at that time we stated that the Commission had no objection whatever to such an amendment. This is still our position. In discussing H. R. 2445 with the Hanley Subcommittee, we urged that a further amendment be considered, permitting a Commissioner whose term has expired to continue in service until his successor has qualified. We are pleased to see that the bill before this Committee incorporates such a provision, and we endorse it. A Commission which is up to strength can serve the public better. Moreover, if our current experiment in presiding directly at rate hearings proves to be

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successful, we will have an additional reason for wishing to have a full complement of Commissioners at all times.

Section 3 of the bill also calls for the election of a Vice Chairman of the Commission. In fact, the Commission has already provided for this position by a rule issued on July 2, 1975; it is essentially similar to the proposed statutory provision and if this amendment were enacted we would be able simply to continue our present arrangements.

ADMINISTRATION--CHAIRMAN'S POWERS; PAY;
PREPARATION OF COMMISSION'S BUDGET

Section 4 of S. 2844 makes amendments in two important areas. We have discussed among ourselves the question of greater centralization of administrative functions in the Chairman's office, a matter which was also covered in the House bills. While in general we think the amendments in S. 2844 to 39 U.S.C. § 3604(a), (b), and (c) could well be useful, we would like to propose one alteration in the text of the bill. As the Committee knows, the Postal Rate Commission is relatively a very small agency. We have as of today a total staff of 76 persons (not counting the Commissioners' personal assistants, who presumably would not be covered by the amending language).

In the past, this fact has allowed the Commission as a whole to interview the men and women who are being considered for professional

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positions on the staff, and to make hiring decisions on a collegial basis. I think that this arrangement is valuable in insuring a good working relationship between the Commission and the staff. However, the Commission's workload is increasing, and no doubt will continue to do so. Valuable as we have found this personal contact and collegial decisionmaking on employment matters in the past, we recognize that it should not consume an undue proportion of the Commissioners' time. We would therefore endorse the principle of the amendment made by S. 2844 which would centralize employment functions in the Office of the Chairman, with one exception. That is the category of employees who advise and report to the Commission directly. Under our present system of organization, this would include the following positions:

1. Chief Administrative Officer
2. General Counsel
3. Assistant General Counsel (Appeals Division)
4. Assistant General Counsel (Litigation Division)
5. Assistant General Counsel (Regulation Division)
6. Administrative Law Judge
7. Secretary
8. Director of Office of Planning and Operations
9. Assistant Director (Finance & Reporting Systems)
10. Assistant Director (Rates & Classification)
11. Assistant Director (Economics & Market Research)
12. Chief Office of Technical Staff
13. Commissioners' individual staffs

The 12 titled positions listed are our "Office heads", while the Commissioners' individual staffs would not, in our view, be "employed

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under the Commission", as they report to individual Commissioners. We believe that it would be valuable to continue the present system, whereby hiring is done on a collegial basis, at least as to these--or analogous--positions.

If the proposed new § 3604 is to remain, therefore, we would urge the Committee to amend it to read, in pertinent part:

* * * (1) the appointment of personnel employed under the Commission (except Office heads, who shall be appointed by the Commission), (2) the supervision of the personnel employed under the Commission and distribution of business among them and among the Commissioners, * * *.

We also believe that the amendment creating a new § 3604(c) is not necessary. This provision would transfer part--but not all--of the Commission's compensation arrangements from Title 39 to Title 5, U.S.C. Experience under the Postal Service pay system has shown that it is workable for our agency, even though designed primarily for a large, "industrial-type" work force. Moreover, we fear that some awkward administrative problems might arise from the linking of salary arrangements to Title 5 while employee benefits remain tied to the quite different scheme of Title 39.

The Commission also favors the concept of an independent budget, as opposed to the present arrangement of limited budgetary supervision by the Governors of the Postal Service. While for the most part the

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present system has worked reasonably well, it is distinctly anomalous to have the regulated entity responsible for reviewing the regulatory agency's budget. A separate budgetary process would be more in keeping with the general Congressional intent that the Commission be--in the language of § 3601--"an independent establishment of the executive branch."

The House legislation also changed the budgetary arrangements, though in a slightly different way. As we understand the provisions of S. 2844, it would abolish the Postal Service review of the Commission's budget, and require simply that the Commission's expenses as set forth in that budget would be met from the Postal Service Fund. We do not interpret the requirement that we transmit a copy of our budget to the Service as implying any reviewing authority. The House legislation also eliminated that authority, but made the Commission subject to the Budget and Accounting Act of 1921. 31 U.S.C. §§ 1 et seq.

We believe that, as a matter of good administration, the Senate bill is preferable. Our budget is neither large nor complicated, and the Congressional committees in their oversight function can easily provide whatever supervision is deemed necessary. Nevertheless, while expressing this preference, the Commission is convinced that either amendment would be a useful improvement.

RESTRUCTURING OF RATE AND CLASSIFICATION
PROCEEDINGS

The most drastic change in the work of the Postal Rate Commission proposed by S. 2844 is contained in section 5 (as complemented by provisions of section 6). This is the amendment which would establish a ten-month deadline for Commission decision of rate and classification matters. While the Commission opposes this amendment, for reasons I will discuss shortly, we would first like to observe that the draftsmen of S. 2844 have worked a great improvement--by comparison with the House bill--in eliminating the change 7/ from trial-type hearings, as now required, to a vaguely-defined and much looser procedure. I discussed earlier the reasons why an on-the-record type of hearing is essential to effective regulation under our mandate from Congress, and I shall not repeat that discussion here. I would only add the observation that if the House bill was intended to save time by permitting only the submission of "data and arguments" in place of a trial-type hearing, it is likely that that expectation would be disappointed in practice. The establishment of rates and classifications on a "scientific or quasi-scientific" basis, as Congress

7/ Cf. H. R. 8603, § 6 (Senate print, November 3, 1975).

wished, demands the sifting and careful analysis of enormous quantities of carefully prepared technical data. It is not the form of presentation of such data so much as its collection and organization and subsequent analysis that requires months of work by expert witnesses testifying on behalf of the parties to our proceedings. In our view, therefore, any saving of time under the procedures called for by the House bill would be far outweighed by the loss of critical insight into the record which the adversary, trial-type procedure affords. Moreover, as I have already mentioned, we are now working under more expedited schedules than at any previous time. Streamlining and refinement of existing arrangements appears to us a far more profitable line of attack than wholesale change of basic procedures. We are therefore pleased to see that the present procedures are retained in S. 2844.

The proposed 10-month limitation, however, does give us problems. Again, I referred in the earlier part of my statement to our efforts to expedite Commission proceedings, and I will not repeat that explanation. As the schedules attached to our Orders No. 83 and 94 show, we prescribed procedures at the outset of the current rate case designed to meet a deadline approximately the same as that proposed in this bill. We have attached copies of these orders and schedules to this statement. See Appendix B. While we fully expect

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to finish our current case in ten months, I must in all candor state that it imposes a very tight hearing schedule on the participating public. Any further time reduction in the hearing schedule could endanger the basic rights of the participants contrary to the Act's dictate that we accord "procedural fairness to the parties". See 39 U.S.C. 3624(b). Whether future rate cases may hold complexities not present in our current docket--and so require slightly more than 10 months for decision--is a prediction that I should not like to make. On the other hand, as participants become more used to our procedures and certain recurring issues become more familiar, future cases may take less time.

These considerations lead us to believe that, while a 10-month decision may be possible in practice--and we are sanguine about meeting that time-span in the current case--it should not be written into the statute as a rigid requirement. Indeed, we do not understand that, if the Commission failed to issue a decision in ten months, S. 2844 would impose any consequences other than the institution of temporary rates. Under present law, the Postal Service may publish temporary rates 90 days after submission of the Service's request for recommended decision (unless the decision has issued within that time, which in a full-scale case would be a practical impossibility). Those

temporary rates are limited to a level 33-1/3 percent higher than the existing permanent rate, even if a higher level has been requested. (If the requested rate is less than 133-1/3 percent of the permanent rate, then that lower level becomes the temporary limit.) The proposed amendment, on the other hand, removes the 133-1/3 percent limitation but postpones the initiation of temporary rates until 10 months-- rather than three--from the submission of the request.

It is, of course, impossible to say whether the exchange of a short waiting period for the right to increase rates, on a temporary basis, without limitation of 1-1/3 times the old rate would be a benefit or a burden to the Postal Service. In the present situation, with the Postal Service seriously short of funds, it could well be an added fiscal handicap. There are other aspects of the problem as well. Under present law, the public pays temporary rates a fairly large ^{8/} proportion of the time. Those increased rates, however, are strictly limited. Under the proposed amendments, the public would enjoy permanent rates--i.e., rates that have been passed upon by the Commission--a larger percentage of the time, but would lose the protection of the 133-1/3 percent limitation.

^{8/} This is true under many, if not most, regulatory schemes, since agencies seldom complete consideration of a rate case within the statutory suspension period. But most such schemes contain refund provisions, unlike our statute.

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On balance, then, we believe that an inflexible statutory time limitation for the decision of massive cases of the type we deal with is not a sound idea. We are aware of no other regulatory agency statute containing such a limitation for ratemaking. The time sufficient for deciding one rate case may be utterly inadequate for processing the next. We will continue to do our best--as we are already required by law to do--to conduct our proceedings "with utmost expedition consistent with procedural fairness" (39 U.S.C. § 3624(b); but to impose a uniform limit would be to sacrifice fairness to a possibly futile pursuit of expedition.

The provisions of S. 2844 establishing the 10-month limitation on rate and classification cases provide an exception for the currently pending cases, rate docket R76-1 and classification docket MC73-1. We believe that such an exception is entirely appropriate and necessary. We have one technical suggestion to make in this regard. It may be that the Commission will wish to sever parts of one or both of these dockets for greater hearing speed and parties' convenience in future proceedings. Doing so would necessitate giving the severed parts of the case new docket numbers, and, technically, in removing them from the exception. Accordingly, we suggest that the phrase "bearing Postal Rate Commission Docket Number R76-1 (or "MC73-1") be changed to "which bears or at any time has been included under Postal Rate Commission Docket Number R76-1" (or "MC73-1"). There would

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then be no question that any "spinoff" dockets would still be within the exception.

SOME FURTHER LEGISLATIVE SUGGESTIONS: FINALITY OF
POSTAL RATE COMMISSION DECISIONS

Before turning to those parts of S. 2844 which do not directly affect the Postal Rate Commission, I would like to touch upon some ideas which we believe could usefully be included in any new legislation.

The unique structure of the Postal Reorganization Act, under which the regulatory agency's decision is only a "recommended" disposition while the regulated entity makes, within certain limits, the final decision, this arrangement has not to date caused serious difficulty, but it is nonetheless a complicated process--perhaps needlessly so. The problem may become more acute if S. 2844 is enacted, since the Governors of the Postal Service would, under that bill, have a far longer period following the Commission's decision to consider it and, correspondingly, to maintain the temporary rates in effect. Under present section 3641(a), temporary rates may not be kept in effect more than 30 days after the Commission transmits a decision; under S. 2844, they could be retained for 150 days. The fact that if the Commission were to recommend rates lower than those in effect as temporary charges the Governors might cling to the higher rate levels for the full five months, and, in another case, have the option of instituting Commission-recommended rates equal to or

higher than the temporary levels almost at once. These conditions of review could cause public dissatisfaction with the statutory framework. Under these circumstances, it might be advisable to take a fresh look altogether at the basic structure.^{9/}

Making the Commission's decision final would not, of course, leave the Postal Service helpless to do anything but accept a decision it felt was wrong. Congress could provide, as it has done in other administrative statutes,^{10/} a statutory mechanism for rehearing, and give the Postal Service full rights to seek judicial review of the Commission's decision.

REPRESENTATION IN THE COURTS

A practical problem of some importance has recently been given prominence by the well-publicized litigation between the Associated Third Class Mail Users and the Postal Service. As the Committee no doubt knows, this recent lawsuit made headlines because of the possibility that the 13-cent first class stamp might be blocked for some months. There was another issue in the case however, with which--unlike the temporary-rate question, over which we have

^{9/} See Appendix F for suggested language.

^{10/} E.g., 15 U.S.C. § 717r (Natural Gas Act); 16 U.S.C. § 8251 (Federal Power Act).

no jurisdiction--the Commission was directly concerned. This was the issue of Commission jurisdiction over changes in special service fees.^{11/} The plaintiff, Associated Third Class Mail Users, argued for the existence of such jurisdiction, and hence that the Service could not increase them, even temporarily. The Service maintained, in opposition to the Commission's declared views in recent rate opinions, that no such jurisdiction existed.

Consistently with this view, they filed no formal request for changes in special rates and fees with the Commission last September when the Service proposed to increase these and all other mail rates. Thus two Federal agencies were on opposite sides of the litigation, and the Department of Justice was faced with the vexing question of which view to espouse before the Court as the Government's counsel.

The Justice Department, under existing law, is charged with representing both the Service and the Commission in court litigation, but that law makes no provision for situations where the Attorney General's two official clients are putting forward conflicting positions. In the Third Class Mail Users' case, the issue had to be resolved by

^{11/} While the exact limits of this jurisdiction are likely to be in issue in Commission rate proceedings, such functions as special delivery, registered mail, insurance, and C.O.D. service are usually conceded to be "special services" in this sense.

the somewhat clumsy expedient of having the Justice Department advocate the Postal Service's position but simultaneously attach to its brief an "informational" memorandum of law prepared by our staff and setting forth the Commission's views. As it turned out, the District Court agreed with the Commission's memorandum rather than with the Government's official position.

I might say that we fully appreciate the courtesy extended to us by the Department in appending our memorandum, which it might in its discretion have refused to do. Department counsel voluntarily went to trial with the handicap of a memorandum opposing his own view attached as an appendix to his brief. Having said that, I must also note that the difficulties I have just outlined must be as troubling to the Department of Justice as they were to us, and that--whatever the Department's view might be on the question of the Commission (or the Postal Service) being given full responsibility for their own court litigation--we would expect them to welcome a better means of dealing with conflicts between the Service and the Commission.

Thus we would urge the Congress to provide either for independent representation of the Commission by Commission counsel, or for such an assignment of responsibility to both the Service and the Commission.

III.

APPROPRIATIONS FOR THE POSTAL SERVICE

Moving on to those sections of S. 2844 which do not directly affect the Postal Rate Commission, we have one technical comment to offer regarding § 2 of the bill dealing with increased appropriations. Before discussing it, however, I would like to state that the absence of any general comment on the appropriation provision does not imply either approval or opposition to it. We feel that appropriations are a peculiarly legislative question, requiring a judgment as to the competing needs of many government programs. It would be inappropriate, in view of our pending consideration of the Postal Service's revenue needs, for us to comment on the desirability of the proposed appropriation. We would therefore respectfully defer to the legislative judgment on this general issue, while attempting as best we can to supply any detailed information which might assist Congress in deciding it.

Our technical comment goes to the proposed new subsection 2401(f). The bill there provides that zone-rated mail formerly entered under chapter 67--that is, fourth class matter--should not have its rates reduced more than 10 percent below the level that

would obtain, absent an appropriation. The apparent intention here is to prevent the channeling of undue amounts of appropriated funds into the subsidization of fourth-class mail. While Congress can of course set limits legislatively on the use of appropriated funds, the detailed setting of rates is essentially a function legislatively assigned to the Commission. We would suggest alternative substitutes for this subsection:

1. The bill might be amended to require that rates for the class in question be set at levels which do not require the application thereto of "undue" or "disproportionate" amounts of the subsidy--leaving it to the Commission, as part of its ratemaking function, to implement the Congressional policy in detail;^{12/} or

2. The limitation--if a precise figure is desired for legislative purposes--might be placed in each annual appropriation act, rather than being fixed in the authorization legislation. This would allow a degree of "fine tuning" from year to year, as the situation appeared to Congress to demand.

^{12/} This revision could be accomplished by making the proposed 2401(f) read:

(f) The rates and fees established under chapter 36 of this title for zone-rated mail matter formerly entered under former chapter 67 of this title shall not be disproportionately less than the rates and fees for such mail matter would be if the funds authorized under this section were not appropriated.

THE PROPOSED COMMISSION ON POSTAL SERVICE

Section 7 of S. 2844 would establish a "Commission on Postal Service" to conduct certain far-reaching studies of basic postal policy. As the proposed Commission on Postal Service appears to us to be essentially an organization designed to assist the Congress--it would not be an independent establishment of the Executive Branch--we do not believe that detailed comments on its makeup and mode of operation are within our sphere of expertise. The organization of this type of basic study for legislative purposes is properly a question for Congress.

Nevertheless, we would like to discuss briefly the specific purposes for which the Commission on Postal Service would be established. As we understand them, these purposes are:

1. To identify and define the "public service" functions of the Postal Service;
2. To determine what they cost, and the relationship between those costs and possible appropriations for public service functions;
3. To evaluate the level of costs which the Service ought reasonably to incur in furnishing the kind of postal services called for by law;
4. To estimate the revenues the Service can be expected to derive from operations (taking into account the relationship between

changes in rate levels and changes in volume of business); and

5. To recommend a program based on a number of broad social-policy considerations set forth in § 7(b)(2) of the bill.

It is clear to us, from such provisions as § 7(c)(4) and § 7(f)(1), (2) of the bill, that the proposed Commission would be primarily responsible to the Congress. We can appreciate the desire of the Legislative Branch to have an independent expert body examine questions which this Committee could--and does--inquire into so far as its other varied responsibilities allow.

A question arises, however, whether some of the responsibilities to be assigned by S. 2844 to the Commission on Postal Service could not be (and indeed, are not now being) carried out by the Postal Rate Commission.

Certainly the third and fourth items on the list above are determinations that we must make in our cases. The first and second items, while not so directly relevant to our functions, nevertheless involve the kinds of questions that the Postal Rate Commission has experience in answering. As an agency of the Executive Branch, we might not enjoy the same perspective in making program recommendations that the bill appears to call for in the proposed new Commission. But

we do believe that much if not most of the basic work could be done efficiently and well by our Commission. The creation of an additional, limited-term body of postal experts could be viewed as an unnecessary duplication of functions so far as that type of work is concerned. Moreover, I must say, in all candor, that I would expect a new organization charged with all these responsibilities to consult us frequently and on a great many questions. Section 7(c)(2) of the bill would provide it with the authority to call upon us for assistance, which we would be pleased to furnish, as far as our resources would allow.

We would therefore suggest that Congress consider assigning to our Commission some or all of the tasks contemplated by § 7; or, alternatively giving us joint responsibility with the proposed Commission on Postal Services.

IV

CONCLUSION

It is never easy to summarize briefly one's comments on a piece of legislation which addresses so many aspects of a problem as does S. 2844. In general, though, we believe that so far as the Postal Rate Commission is concerned, the bill would make some useful institutional adjustments (and might be amended to make more, as we have suggested).

We are dubious of the necessity or prudence of setting a time limit on proceedings which by their nature are complex, exhaustive, and briskly contested. This is especially true in view of the Commission's broadly-conceived (and thus far successful) efforts to expedite these proceedings--which will substantially meet the schedule contemplated by S. 2844. We believe as well that in spite of the difficulties we have mentioned S. 2844 represents an improvement over the House bill. The fact that we find so little in the Postal Reorganization Act that, in our view, should be altered is not, I believe, an instance of "bureaucratic inertia". It is a tribute to the Congress which in passing the original Act designed a complex and pioneering piece of legislation which today is working efficiently and well.

That concludes my remarks. Again, thank you for the opportunity to appear before the Committee.

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IV

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That concludes my remarks. Again, thank you for the opportunity to appear before the Committee.

CIVIL AERONAUTICS BOARD CASES (1972)

	Number of Cases	Average Calendar Days				Total
		Filing to Prehearing Conference	Prehearing Conference to Initial Decision	Initial Decision to Board Decision		
Route -----	14	231	259	288	778	
Foreign permit -----	27	84	69	93	246	
Merger and agreement -----	5	100	197	209	506	
Commercial rate -----	6	114	304	348	766	
Mail rate -----	1	18	216	693	927	
Enforcement #/-----	1	160	137	253	550	

*/ 1971. No enforcement cases listed in 1972.

Source: Report of the Civil Aeronautics Board Advisory Committee on Procedural Reform (1975), p. 6.

UNITED STATES OF AMERICA
 POSTAL RATE COMMISSION
 WASHINGTON, D. C. 20268

Before Commissioners: Clyde S. DuPont, Chairman;
 Paul A. Miltich; Kieran O'Doherty;
 Frank P. Saponaro; Carlos C. Villarreal

Postal Rate and Fee Changes, 1975) Docket No. R76-1

ORDER DESIGNATING A PRESIDING OFFICER AND
 AN OFFICER OF THE COMMISSION,
 ESTABLISHING DATE OF PREHEARING CONFERENCE
 AND ESTABLISHING PROCEEDINGS

(Issued September 26, 1975)

On September 19, 1975, the Postal Rate Commission (hereinafter Commission) issued a Notice ^{1/} stating that the United States Postal Service (hereinafter Postal Service or Service) had filed a Request (September 18, 1975) for a recommended decision on changes in rates and fees for postal services.

I. APPOINTMENT OF PRESIDING OFFICER

In furtherance of the Commission's expeditious consideration of the Request and pursuant to section 30(b) of the Commission's rules of practice [39 C.F.R. § 30(b)], the Commission will conduct the prehearing conferences and hearings en banc. Clyde S. DuPont, Chairman, will be the presiding officer in such proceedings [39 C.F.R.

^{1/} The Notice was published in the Federal Register on September 24, 1975 (40 Fed. Reg. 44043).

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§§ 3001.5(e); 3001.23]. An initial prehearing conference will be held on October 22, 1975, and, if necessary, October 23, 1975. The conference will commence each day at 10:00 a.m. at the Postal Rate Commission's hearing room, suite 500, 2000 L Street, N.W., Washington, D.C. 20268, and shall be on the record and a transcript made except where the presiding officer determines otherwise.

II. APPOINTMENT OF THE OFFICER OF THE COMMISSION

The Officer of the Commission (OOC) designated to represent the general public ^{2/} in this proceeding will be Norman D. Schwartz, Assistant General Counsel (Litigation). During this proceeding, the OOC will direct the activities of Commission personnel assigned to assist him, and neither he nor any such personnel will participate in nor advise as to any Commission decision in the case. ^{3/} The OOC will supply for the record, at the appropriate time, the names of all Commission personnel assigned to assist him in this case. In this proceeding the OOC shall be separately served three copies of all filings in addition to, and simultaneously with, service on the Commission of the 25 copies required by section 10(c) of the rules of practice [39 C.F.R. § 3001.10(c)].

^{2/} See 39 U.S.C. § 3624(a).

^{3/} See 39 C.F.R. § 3001.8.

III. PROCEDURES FOR EXPEDITION

Section 3624 of the Postal Reorganization Act (39 U.S.C. § 3624), as well as section 24 of the Commission's rules of practice (39 C.F.R. § 3001.24), provides that the Commission is to conduct its proceedings and issue a recommended decision with the utmost practicable expedition consistent with fairness to the parties. In order to do so, we are issuing the present detailed order so that all those who contemplate participating in this case (even though not yet admitted) will have ample time to prepare for the prehearing conference.

In this regard, the Commission directs the attention of the parties, and of petitioners for leave to intervene or be heard as limited participators, to section 24(d) of the Commission's rules of practice which sets forth the matters which the presiding officer and the participants shall consider and resolve at the prehearing conference. All participants are required and expected to appear at the prehearing conference fully prepared to discuss in detail and resolve these matters. Additionally, participants will have an opportunity to comment on the attached list of suggested procedural guidelines and proposed special rules of practice and should be authorized to make commitments with respect thereto. See Attachment A. Before the close of the prehearing conference, participants will also have the opportunity to make opening statements, if they so desire.

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In the past, our rules regarding discovery have been leniently enforced on occasion. For example, time limitations have been waived and extended (particularly for completion of discovery) in so many instances that considerable delay of the proceedings has resulted. Because we are determined to accelerate the conduct of this case, as the statute requires, and because the recent trial and decision of our previous rate case have given us a body of useful experience which we anticipate will guide us in this proceeding, we plan to adhere as strictly as possible to the procedural requirements and filing deadlines set out in our rules of practice. The parties should therefore--from the outset of this proceeding--make certain that they have provided adequate resources for the prompt preparation of and response to all discovery requests.

In furtherance of this objective, we have tentatively decided on a procedure to be followed in case answers to discovery requests are not forthcoming within the prescribed time. If a motion to compel responses is not answered by a demonstration of cogent and convincing reasons for delay, the presiding officer will prescribe a time at which the witness to whom the discovery requests were addressed will be produced for oral examination on the subject matter of such requests. This examination will be conducted in parallel with the main hearings, before

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4/
special presiding officers to be designated by the Commission for that purpose. The special presiding officer will record any objections made, together with his proposed disposition thereof, and transmit both to the Chairman acting in his capacity as presiding officer of the main hearing. A transcript will be made of any such examination, and the responding witness may be represented by counsel. We expect that such ancillary proceedings will accelerate the obtaining of responses (which would otherwise have to be pursued by written pleadings and motions), while not requiring the main proceedings to be halted.

While we are not at this time specifying any procedures for the taking of depositions in parallel with the principal hearing, the parties and the presiding officer will consider their use when appropriate to hasten responses to discovery requests and where attendance of a special presiding officer may not be required.

All participants should give careful consideration to expediting this proceeding and in connection therewith review the proposed schedule of procedural stages. See Attachment B. This schedule will be discussed at the prehearing conference for the purpose of fixing target dates for completion of each stage. For the information of the participants wishing to propose estimated completion dates for each stage, it

4/ Analogous procedures are found in the judiciary where Special Masters sometimes are appointed by a court for the hearing of particular matters. See F. R. C. P. Rule 53.

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is noted by the Commission that evidentiary hearings in Docket No. R74-1 were held on 46 days. Given this experience--and that of Docket R71-1 which had approximately 64 hearing days--we are of the view that the total time needed to develop the requisite evidentiary record herein should not exceed a period of 6 months. Accordingly, we tentatively plan to close the record in these proceedings by March 30, 1976.

The requirements of the Act demand expedited proceedings, coupled with procedural fairness. We must respond accordingly. We would also alert the parties that our intention to expedite this proceeding applies with equal force to the briefing stage following the close of the record. Parties should therefore be prepared to propose a briefing schedule consonant with this policy. See Attachment B.

In determining that a six-month hearing schedule is prima facie sufficient, and that a relatively short briefing schedule will likely be appropriate, we are also guided by the fact that postal rate proceedings are no longer in the prototype stage. Thus, we anticipate eliminating from consideration certain subjects which were before us in earlier rate proceedings.

While we are not prepared at this time to make specific exclusions, we are of the view, for example, that little if any discussion of general cost theory will be required in this docket. The

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guidelines laid down in Docket No. R74-1 will be generally adhered to. We do not contemplate either assembling a record or issuing a decision on broad general aspects of cost theory.

Similar comments apply to the use of demand analysis to distribute nonattributable costs, in accordance with the general principles laid down in Docket No. R74-1. We regard those principles as largely settled, and will entertain proposed refinements and corrections as part of the present record, but not overall critiques or defenses of the general theory adopted in that proceeding.

However, we would emphasize that it is not our intention at this time to rule on any proposed evidentiary presentation. That would be premature action on our part. Nonetheless, it is our view that parties should carefully associate testimony concerning economic theory and demand analysis with specific applications thereto--including rate design. Thus, discussion of theory in these areas may still be appropriate if it relates to specific matters such as the proper attribution of a given cost segment, or a challenge to an allegedly erroneous application of the general volume variability theory.

IV. PREHEARING CONFERENCE STATEMENTS

In preparation for the initial prehearing conference, each participant should serve a document captioned "Prehearing Conference Statement" on or before October 20, 1975, containing the following:

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1. A suggested list which states with particularity the issues the party believes should be addressed in this case. (Asterisks, denoting those issues on which the party intends to present evidence, should precede the stated issue.)
2. A statement of the participant's tentative position on each of the proposed issues.
3. A brief statement describing for each issue the evidence, if any, the participant proposes to introduce.
4. A legal memorandum, where appropriate, in support of the issues proposed, the positions taken, the evidence to be presented and other legal matters which should be considered.
5. Any other matter the participant believes should be pursued at the prehearing conference.

Prior to the initial prehearing conference, all participants are encouraged informally and promptly to inform the Postal Service of desired preliminary clarification in the Service's presentation which each participant believes necessary in order to expedite this proceeding.

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V. DISCOVERY

The Commission directs the attention of all participants to the provisions of sections 25, 26 and 27 of the rules of practice (39 C.F.R. §§ 3001.25, 3001.26, 3001.27) establishing the availability of, and the rules for, discovery procedures. The discovery process is one aspect of rate proceedings which we particularly wish to expedite. Interrogatories must be answered promptly so that the expedited hearing program we are adopting here can function effectively.

In an effort to reduce or obviate certain peripheral discovery by the parties, the Commission will entertain proper oral motions requesting an opportunity to engage in a limited amount of "preliminary cross examination" of Postal Service witnesses during prehearing conferences. In this regard, the Service is requested to have its witnesses present and be able to provide for the record the requested clarifications or any other relevant information which might be requested at the prehearing conference. ^{5/} A similar "preliminary cross examination" session for clarification of the presentation's of the participants will be held following the filing of other participants' cases.

^{5/} Such requests might, for example, be for workpapers, sources of numbers used, explanations or demonstrations of mathematical processes employed, etc. We contemplate that any extensive responses would be provided in writing, but any inquiry which can be answered immediately by a witness should be so disposed of.

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As stated, it is our desire that this type of clarifying questioning will help reduce the length of the formal discovery period by disposing of purely informational requests on the record during prehearing conferences. Preliminary cross examination, however, should be requested only where a party is of the view (and can persuasively demonstrate) that the expected responses are an essential part of the hearing record. Normally, participants should use informal off-the-record conference techniques to the maximum extent possible. In this connection, we would request the Postal Service to file periodically, e.g., every two weeks, (1) a listing of information given to parties in response to informal requests and (2) a copy of the information to be lodged in the dockets section of the Postal Rate Commission. This procedure will avoid duplicative requests from participants for identical information. It will be optional for other participants to follow this procedure because, unlike the Service, they are not usually the source of "data base" information.

The Commission orders:

(A) The Commission will sit en banc, with Clyde S. DuPont, Chairman, as presiding officer, in the above-captioned proceeding.

(B) A prehearing conference, regarding which a Notice of Proceeding was published in the Federal Register on September 24, 1975 (40 Fed. Reg. 44043), will be held on October 22, 1975 and October 23,

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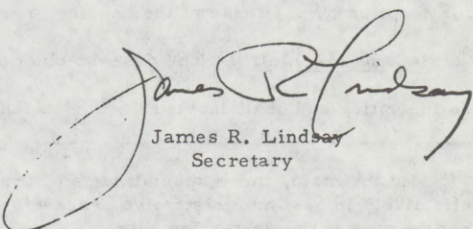
1975, at 10:00 a.m. each day in the Postal Rate Commission hearing room, suite 500, 2000 L Street, N. W., Washington, D. C. 20268.

The Conference will be held for the purposes specified in section 24 of the Commission's rules of practice (39 C. F. R. § 3001.24) and in this order, and to afford all participants in the proceeding an opportunity to be heard with respect to the procedures to be followed in expeditiously determining the issues to be resolved in Docket No. R76-1. The conference proceedings shall be recorded by an official reporter except where otherwise directed by the presiding officer.

(C) Norman D. Schwartz, Assistant General Counsel (Litigation) is hereby designated as the Officer of the Commission to represent the general public in this proceeding. Service of documents on the Commission shall not constitute service on the OOC who shall separately be served three copies of all documents.

By the Commission.

(S E A L)



James R. Lindsay
Secretary

Docket No. R76-1

PART I: PROPOSED SPECIAL RULES OF PRACTICE */

Grouping. Participants with common interests or positions in this proceeding should group themselves to make a joint presentation including oral representation, briefing, and presentation of evidence. Such grouping will be without derogation to the right of any party to present a separate point of view where his position differs from that of the group in which he is participating.

Discovery. The discovery procedures set forth in the Commission's order herein are not exclusive. The parties will be expected also to engage in informal discovery wherever possible to clarify exhibits and testimony. The results of such efforts may be introduced into the record by stipulation, supplementary testimony, or exhibit, by presenting selected written interrogatories and answers for adoption by a witness at the hearing or other appropriate means.

Case-in-Chief. The case-in-chief of all participants shall be in writing and shall include the participant's direct case and its

*/ In the main, these special rules of practice have been utilized effectively in past administrative proceedings before the Commission and we propose their continued use.

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rebuttal, if any, to the United States Postal Service's case-in-chief. It should be accompanied by legal memoranda, where appropriate.

Exhibits. Exhibits should be self-explanatory. They should contain appropriate footnotes or narrative explaining the source of each item of information used and the methods employed in statistical compilations. The principal title of each exhibit should state what it contains and may also contain a statement of the purpose for which the exhibit is offered; however, such a statement will not be considered part of the evidentiary record. Where one part of a multi-page exhibit is based on another part, as on another exhibit, appropriate cross references should be made. Relevant exposition should be included in the exhibit or given in the accompanying testimony.

Official Notice. Parties requesting official notice should refer to the page and paragraph of such material and should furnish copies of the referenced item for the record and for other parties.

Special Service and Dates. Interrogatories and answers thereto should be served on the Commission, the Officer of the Commission (three copies), on the complementary party, and on any other party so requesting.

Follow-up interrogatories should be served within five days of receipt of the answer to the prior interrogatory unless a good reason is stated.

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Written cross-examination will be utilized whenever possible, to introduce factual or statistical evidence. Written cross-examination should be served three days before the announced appearance of a witness on the Commission, on the Officer of the Commission (three copies), on the witness' counsel, and on any participant so requesting.

Oral cross-examination will be permitted for testing assumptions, conclusions, or other opinion evidence. However, requests for permission to conduct oral cross-examination must be made in advance, accompanied by (1) specific references to the subject matter to be examined, and (2) page references to the relevant direct testimony. Requests by participants for oral cross-examination should be served three days before the announced appearance of a witness on the Commission, on the Officer of the Commission (three copies), on counsel for the witness, and on any participant so requesting.

General. Argument will not be received in evidence. It is the province of the lawyer, not the witness. It should be presented in brief or memoranda.

New affirmative matter (not in reply to another party's direct case) should not be included in rebuttal testimony or exhibits.

Cross-examination will be limited to testimony which is adverse to the participant wishing to cross-examine.

Legal memoranda, where appropriate, will be welcome at any stage of the proceeding.

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PART II: SUGGESTED PROCEDURAL GUIDELINES

1. All parties will be expected to reference their exhibits and the testimony of their witnesses to one another and where inconsistencies between testimony or numerical figures appear, such inconsistencies are to be explained.

2. Parties will be required to sponsor as exhibits workpapers which were relied on for the purpose of proposing rates or for challenging the proposed rates of another party or the Postal Service.

3. Any participant who proposes a rate or set of rates will be expected to calculate all appropriations implied by such proposals. The participant will also be expected to show through workpapers or testimony how such appropriations were calculated. (See e.g., The Commission's Recommended Decision in Docket No. R74-1, Appendix L.)

4. The Postal Service and all other participants will be expected to demonstrate in a specific, cogent manner the relationship of proposed rates to the ratemaking criteria of the Postal Reorganization Act. Generalized statements that a particular rate meets the rate-making criteria of the Act will be considered non-responsive.

5. The Postal Service and all participants will be expected to fully document all phases of their presentation and to provide all

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studies relied on in the presentation of each case-in-chief or rebuttal of other participants' presentations. Where studies or documents are primarily relied on as the basis of a proposed rate or rates, the participant relying on such material will be expected to sponsor the material as an exhibit.

6. Documents and studies which are prohibitively expensive to reproduce for use by each participant, or which are prohibitively voluminous, shall be filed in the docket section of the Postal Rate Commission and shall be sponsored as an exhibit by the participant. The filed documents should receive both (1) a hearing Exhibit number and (2) a "PRC lib. ref." number.

7. Volume data presented by the Service and all participants shall be provided by class and subclass.

8. The Postal Service shall provide detail as to the specific nature and the dollar amount of the various items in each cost segment on both a "before" and "after rate" basis.

9. Hearings on the Postal Service's proposed rate changes will be commenced immediately following that part of the discovery process relating to the Service's proposed changes.

SCHEDULE OF PROCEDURAL STAGES */

Date

Month - Day - Year

- 9 - 18 - 75 Rate request filed.
- 9 - 26 - 75 Order designating a presiding officer and an Officer of the Commission, establishing date of prehearing conference and establishing proceedings.
- 10 - 3 - 75 Petitions to intervene or be heard as a limited participator to be filed.
- 10 - 9 - 75 Answers to petitions to intervene or be heard as a limited participator to be filed.
- 10 - 14 - 75 Order disposing of petitions to intervene or be heard as a limited participator.
- 10 - 20 - 75 Participants to file statement of issues, evidence to be presented and any appropriate legal memoranda.
- 10 - 22 - 75 Initial prehearing conferences to be held for the purposes set forth in this order and section 24(d) of the rules of practice [39 C.F.R. § 3001.24(d)].
- _____ Completion of initial discovery phase related to the submittal of interrogatories (and other discovery) for information needed to cross-examine Postal Service's witnesses. (Answers due _____)
- _____ Completion of discovery process directed to the Postal Service (and other participants, as necessary) for information needed by intervenors for their direct and rebuttal evidentiary presentations. (Answers due _____).
- _____ Beginning of hearings, i. e., cross-examination, on the Postal Service's case-in-chief.
- _____

*/ The blanks for the dates are to be filled in during the Commission Prehearing Conference on October 22, 1975.

Date

Month-Day-Year

12 - 22 - 75	Filing of the case-in-chief of each participant (including that of OOC).
_____	Conferences for the purpose of clarification of each participant's case.
_____	Completion of initial discovery phase for submittal of interrogatories (and other discovery) related to the preparation of (1) cross examination of participants' cases and (2) discovery process directed to the participants for information needed by Postal Service and others for rebuttal. (Answers due _____).
_____	Completion of evidentiary hearings as to the Service's case-in-chief.
_____	Beginning of evidentiary hearings as to the case-in-chief of each participant.
_____	Completion of the evidentiary hearings as to the case-in-chief of each participant.
_____	Rebuttal evidence of the Postal Service and each participant. (No discovery to be permitted on this rebuttal evidence; only oral cross examination).
_____	Beginning of evidentiary hearing on rebuttal evidence.
3 - 30 - 76	Close of the evidentiary record.
_____	Initial briefs filed.
_____	Reply briefs filed.

UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D. C. 20268

Before Commissioners: Clyde S. DuPont, Chairman;
Paul A. Miltich; Kieran O'Doherty
Frank P. Saponaro; Carlos C. Villarreal

Postal Rate and Fee Changes, 1975) Docket No. R76-1

ORDER ESTABLISHING HEARING DATES
AND OTHER PROCEDURAL MATTERS

(Issued October 30, 1975)

On October 22, 1975, the Commission held a prehearing conference in this proceeding. At that conference, a hearing schedule was discussed, as well as various substantive and procedural problems raised by the parties. All parties present at the conference had an opportunity to express their views.

Chairman DuPont, the presiding officer, made a number of rulings during the course of the prehearing conference. In addition, he deferred ruling on several procedural issues raised. The Commission has reviewed the record of the conference and the deferred issues will now be resolved. (See Attachments A and B.) Also, for the convenience of all parties, the major rulings already made have been compiled and restated. ^{1/}(See Attachment B)

^{1/} Also appended to this order is the hearing schedule for the duration of the proceedings (Attachment A), a list of pending legal memorandums due from certain parties (Attachment C), a revised matrix of participants and the classes of mail in which they have an interest (Attachment D), and a corrected list of team captains (Attachment E).

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In addition there are three other matters warranting discussion at this time.

(1) The matter of fees for special services was raised by the Officer of the Commission (OOC) at the prehearing conference. The Officer of the Commission made a motion that the Postal Service be directed to file prepared testimony, sponsored by a witness, in order to support the proposed increase in fees for special services^{1/} (Tr. 1/97). We need not review our position on jurisdiction over fees for special services. That position was made clear in the Commission's Opinion and Recommended Decision in Docket No. R74-1 (PRC Op. R74-1, App. F, p. 2), and Order No. 84 in this proceeding. Consistent with our position that we have jurisdiction over fees for special services, we are granting the OOC's motion and will order that the Postal Service present evidence to support the increase in special service fees, as shown in Attachment I to its Request for a Recommended Decision (Docket No. R76-1). That evidence should be filed with the Commission by November 14, 1975.

(2) On its own motion, the Commission has also decided to impose an additional evidentiary requirement upon all parties who submit alternative rate

^{1/} Order No. 84 made fees for special services an issue in this case and also directed the parties' attention to the Postal Service's unilaterally-initiated rulemaking proceedings to change certain special rates and fees. 40 Fed. Reg. 43232 (September 19, 1975).

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proposals covering less than all the classes and subclasses of mail. In the past, parties have typically ignored the "ripple effect" of rate changes they have proposed. For example, a party proposing a reduction in the rates for second class regular rate publications normally would not explain how the lost revenues would be recovered from other classes of mail in order to meet the overall revenue requirement. All parties are put on notice that in the future such rate proposals, unaccompanied by at least a general showing of how the revenue requirement will be met,^{1/} will necessarily be accorded less evidentiary weight. In presenting evidence of this nature parties should assume, but not necessarily agree, that the Postal Service's revenue requirement is correct as presented in its evidence herein.

(3) At the prehearing conference, it was agreed that preliminary cross-examination of Postal Service witnesses be deferred until the parties had exhausted their attempts to obtain information by way of informal discovery (Tr. 1/106-107). At the next prehearing conference, which we have scheduled for November 25, 1975, there

^{1/} Ideally, rate proposals would cover all classes and subclasses of mail, showing volume changes and the total dollars involved in unit rate changes for each class and subclass. We realize, of course, that some parties do not have the resources to make this type of presentation. Accordingly, a statement of how loss revenue will be met by class and subclass of mail--in terms of dollars and exclusive of unit rates--would constitute a satisfactory showing of the "ripple effect."

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will be a further opportunity for preliminary cross-examination. Parties wishing to engage in such cross-examination should file a request with the Commission, with service on all parties, stating the reasons preliminary cross-examination is necessary. Requests should be filed by November 18, 1975.

The Commission orders:

(A) The Postal Service will file by November 14, 1975, testimony sponsored by a witness to support its proposed changes in rates and fees for special service as shown in Appendix I to its Request for a Recommended Decision in this docket.

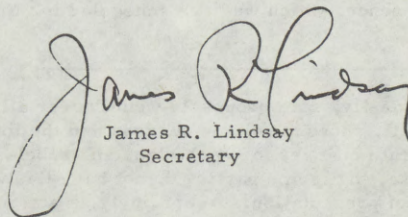
(B) A further prehearing conference will be held on November 25, 1975.

(C) Requests for preliminary cross-examination should be filed by November 18, 1975.

(D) The rulings shown in Attachment B hereto are affirmed and adopted.

By the Commission.

(S E A L)



James R. Lindsay
Secretary

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ATTACHMENT AHEARING SCHEDULE FOR DURATION OF
PROCEEDINGS--DOCKET R76-1

<u>Month/Date/Year</u>	<u>Procedural Stage</u>
11-25-75	Second Prehearing Conference
12- 8-75	Completion of all discovery directed to the Postal Service. (Answers due 12/15/75 or 20 days after filing of the interrogatory, whichever is earlier.)
12-29/75	Filing of the case-in-chief of each participant (including that of OOC).
1- 5-76	Conferences for the purpose of clarification of each participant's case.
1-12-76	Beginning of hearings, <u>i. e.</u> , cross-examination, on the Postal Service's case-in-chief.
1-28-76	Completion of all discovery directed to the intervenors. (Answers due 2/17/76 or 20 days after filing of the interrogatory, whichever is earlier.)
2- 6-76	Completion of evidentiary hearings as to the Service's case-in-chief.
2-24-76	Beginning of evidentiary hearings as to the case-in-chief of each participant.
3- 1-76	Rebuttal evidence of the Postal Service and each participant. (No discovery to be permitted on this rebuttal evidence; only oral cross-examination.)
3-12-76	Completion of the evidentiary hearings as to the case-in-chief of each participant.
3-15-76	Beginning of evidentiary hearing on rebuttal evidence.
3-30-76	Close of the evidentiary record.
4-30-76	Initial briefs filed.
5-10-76	Reply briefs filed.
5-17-76	Oral argument.

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Major Rulings by the Presiding Officer Culled from the Transcript
 of the October 22, 1975 Prehearing Conference*

- (1) The question of periodic reporting of data by the Postal Service, as raised by the OOC on page 13, item IV of his Prehearing Statement, is not an issue in this case (Tr. 1/11).
- (2) As a general proposition, the Commission does not favor the consolidation of rate issues and classification issues (Tr. 1/16). See also PRC Op. R71-1, 1-282-83.
- (3) The three-day rule for notice of oral cross-examination and the serving of written cross-examination is still operative. See Order No. 83 (Tr. 1/21).
- (4) The Commission does not at this time intend to issue a tentative decision (Tr. 1/22-23). See C.F.R. § 3001.5(c), § 3001.39(b), 5 U.S.C. § 557(b).
- (5) The possibility of appropriations under 39 U.S.C. § 2004 or appropriations under H.R. 8603 is not an issue in this case (Tr. 1/23).
- (6) With respect to informal discovery procedures and the requirement that the Postal Service file with the Commission a listing of information given to parties in response to informal requests, Order No. 83 is operative. Order No. 83, p. 10. (Tr. 1/45).
- (7) Testimony of witnesses from previous PRC rate cases may be incorporated by reference ("designation"), subject to appropriate objection. Other parties may incorporate other portions of that witness' testimony from the same case or incorporate another witness' testimony in rebuttal to the designated witness (known as "counter-designation").

All designations must be submitted by November 12; counter-designations by December 1; and objections to designations and counter-designations by December 15. Parties are urged to stipulate evidence in advance of the hearing. Only two copies for the record must be provided when the testimony is offered. However, parties without access to the official record of previous rate cases may make special requests for actual copies of the proffered testimony from the movant (Tr. 1/46). Generally, special requests should be avoided inasmuch as copies of the hearing records in prior rate cases are readily available in printed form pursuant to 39 U.S.C. 3625(e).

* Including rulings that were deferred.

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These copies, provided by the Public Printer, should be the source for the two "record copies" herein and for the related annotations.

(8) The burden of proof with respect to any given rate is on the proponent of that rate. See Pan Am. - Grace Airways Mail Rates, 11 C.A.B.535, 542-43 (1950); Re Public Service Co-ordinated Transport, 5 N.J. 196, 74 A. 2d 580 (1950). This principle also applies to intervenors who propose a rate different from that proposed by the Postal Service. (See Tr. 1/84.) 1/

(9) Preliminary motions to strike portions of the Postal Service's testimony are due on November 3, 1975 (Tr. 1/75).

(10) Objections to written cross-examination may be presented orally at the time the written cross-examination is offered into evidence (See Tr. 1/75-78).

1/ The presiding officer, in response to a question, stated the Commission is adopting the burden of proof principle which normally applies to administrative ratemaking proceedings. Ruling 8 above is a restatement of that principle as it applies to PRC proceedings.

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Legal Memoranda Due From Various Parties*

<u>Party Principally Concerned</u>	<u>Subject</u>
(1) OOC (Tr. 1/12-15)	Data necessary to implement PRC's decision in Docket No. R74-1.
(2) ABP (Tr. 1/16)	Consolidation of rate and classifica- tion issues for controlled circulation.
(3) All parties affected (Tr. 1/46-47)	Designation of evidence from Docket No. MC73-1 (references should be to the PRC hearing record since it has not yet been printed by the Public Printer).
(4) OOC, USPS (Tr. 1/86-92)	The use of library reference materials as evidence.

* All memoranda are due by November 6, 1975. Replies are due by November 17, 1975.

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UNITED STATES OF AMERICA, POSTAL RATE COMMISSION

DOCKET NO. R76-1
PARTIES AND THEIR MAILING CLASS
INTERESTS */

	First Class	Priority	Airmail	Second-Class National	Second-Class Nonprofit	Second-Class Classroom Public.	Second-Class Regular Rate	Second-Class Transient	General Circulation	Third-Class Single Piece Rate	Third-Class Bulk Rate	Third-Class Bulk	Fourth-Class Parcel	Fourth-Class Catalog Zone Rate	Special Fourth-Class Rate (books)	Library Class	Government Mail	Mail for the Blind	Special Services
1. Agricultural Publishers Association																			
2. American Business Press, Inc.																			
3. American Lung Association																			
4. American Newspapers Publishers Assn.																			
5. American Retail Federation																			
6. Arkansas, State of																			
7. Aspin, Congressman Les																			
8. Associated Third Class Mail Users																			
9. Association of American Publishers, Inc. and Book Manufacturers Institute																			

(ALL CLASSES)

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UNITED STATES OF AMERICA, POSTAL RATE COMMISSION

DOCKET NO. R76-1

PARTIES AND THEIR MAILING CLASS

INTERESTS *

	First Class	Priority	Airmail	Second-Class Within County	Second-Class Nonprofit	Second-Class Classroom Public.	Second-Class Regular Rate	Second-Class Transient	Confidential Circulation	Third-Class Single Piece Rate	Third-Class Bulk Rate	Third-Class Rate Nonprofit	Fourth-Class Zone Rate Parcels	Fourth-Class Catalog Zone Rate	Special Fourth-Class Rate (books)	Library-Class	Government Mail	Mail for the Blind	Special Services	Business Reply
10. Association of Second Class Mail Publications, Inc.							S													
11. Bernheim, Jacob L.			S																	
12. Catholic Press Association																				
13. Classroom Periodicals Publishers Association				S												S				
14. Columbia Gas System	S					S										S				
15. Council of Public Utility Mailers	S																			
16. Direct Mail/Marketing Association																				
17. Dow Jones & Company, Inc.												M							S	

UNITED STATES OF AMERICA, POSTAL RATE COMMISSION

DOCKET No. R76-1

PARTIES AND THEIR MAILING CLASS

INTERESTS

[illegible]

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UNITED STATES OF AMERICA, POSTAL RATE COMMISSION

DOCKET NO. R76-1
PARTIES AND THEIR MAILING CLASS
INTERESTS */

	First Class	Priority	Airmail	Second-Class Within Country	Second-Class Nonprofit	Second-Class Classroom Public.	Second-Class Regular Rate	Second-Class Transient	Control Circulation	Third-Class Single Piece Rate	Third-Class Bulk Rate	Third-Class Bulk Rate Nonprofit	Fourth-Class Parcel Rate	Fourth-Class Zone Rate	Catalogs Zone Rate	Special Fourth-Class Rate (books)	Library Rate	Government Mail	Mail for the Blind	Special Services
34. National Foundation																				S
35. National Industrial Traffic League																				S
36. National Newspaper Association				M			M													
37. North Dakota, State of																				
38. Oklahoma, State of																				
39. Parcel Post Association																				
40. J. C. Penney Company, Inc.	S												M							S
41. Pennsylvania, State of																				S
42. Post Card Manufacturers Association	M																			

(ALL CLASSES)

(ALL CLASSES)

(ALL CLASSES)

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Postal Rate and Fee Changes, 1975)

Docket No. R76-1

CORRECTED LIST OF TEAM CAPTAINS

1. First Class
 Eugene E. Threadgill, Esquire 347-8300
 Connole & O'Connell
 One Farragut Square South
 Washington, D.C. 20006
2. Second Class
 Justin Wolf, Esquire 737-2413
 1625 K Street, N. W.
 Washington, D.C. 20006
3. Controlled Circulation 638-4485
 Robert Saltzstein, Esquire 638-4485
 Wyatt and Saltzstein
 1300 Wyatt Building
 Washington, D.C. 20005
4. Third Class Regular Rate
 J. Edward Day, Esquire 785-0200
 Cox, Langford & Brown
 21 Dupont Circle, N. W.
 Washington, D.C. 20036
5. Non-Profit Third Class
 Kenneth Wells Parkinson, Esquire 466-8850
 Jackson, Parkinson & Jackson
 1828 L Street, N. W.
 Washington, D.C. 20036
6. Special Rate Fourth Class/Lib. Rate
 Richard Schmidt, Esquire and 293-3860
 Ian Volner, Esquire
 Cohn & Marks
 1920 L Street, N. W.
 Washington, D.C. 20036

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7. Fourth Class Other than Special
Rate/Library Rate
Frederick Belen, Esquire 293-6260
1776 K Street, N.W.
Suite 900
Washington, D.C. 20006
8. United States Postal Service
Jim Finch, Esquire 245-4594
475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260
9. Officer of the Commission
Norman Schwartz, Esquire 254-3840
Postal Rate Commission
2000 L Street, N.W.
Suite 500
Washington, D.C. 20268

POSTAL RATE COMMISSION
Washington, D.C. 20263

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Office of the Chairman

Honorable David N. Henderson
Chairman
Committee on Post Office and
Civil Service
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter responds to your request of June 13, 1975, for an expedited report on H.R. 7718, a bill amending in various respects the Postal Reorganization Act of 1970 (hereinafter, "the Act").

H.R. 7718 contains a number of provisions which are also found in H.R. 2445 or were proposed by the U.S. Postal Service before Mr. Hanley's Subcommittee earlier this year.

We testified before the Hanley Subcommittee on March 11, 1975, on H.R. 2445 and transmitted our letter dated April 4, 1975, ^{1/} to Chairman Hanley regarding the U.S. Postal Service's proposals. Therefore, we will not comment on those provisions on which the Commission has already given its position but, rather, refer the Committee to those previous communications.

^{1/} 94th Cong., 1st Sess., Hearings before the Subcommittee on Postal Service, House of Representatives, on H.R. 2445 (Serial No. 94-4), pp. 157 ff. (March 11 testimony) and 346 ff. (April 4 letter).

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In this letter, we will limit our comments to those provisions on which we have not previously commented.

Section 2. The new § 3601(d) of Title 39, U.S.C., provides for the election by the Commission of a Vice-Chairman, and directs that he shall "act as Chairman of the Commission in the absence of the Chairman".^{1/} This language does not specifically provide for the Vice-Chairman's so acting if the office of Chairman is vacant. In view of the extended administrative powers given the Chairman by § 3 of H. R. 7718, it might be desirable to make clear that a Vice-Chairman could exercise these functions "in the absence of the Chairman or when the office of Chairman becomes vacant".

Section 3. Subsections (2), (b), and (c) of the new § 3604 contained in this section would transfer certain administrative functions, now carried out collegially, to the Chairman. Our comments are concerned with the "appointment of personnel" function covered by proposed § 3604(a)(1).

We have considered the potential advantages of this form of organization, as balanced against those of our present system. The Commission, with about 70 employees (exclusive of Commissioners' personal staffs), is relatively a very small agency. The advantages of centralizing hiring under the Chairman are therefore less than in a more typical regulatory body, such as the Federal Power Commission (1320 employees) or the Civil Aeronautics Board (713 employees), since the demands of personnel matters on Commissioners' time are relatively minor and infrequent. Nevertheless, we recognize that the

^{1/} We believe that present § 3603 of the Act gives the Commission power to elect a Vice-Chairman and, on July 2, we adopted a "rule" establishing an Office of Vice-Chairman. This rule provides for an annual election of the Vice-Chairman. (See PRC Order No. 78, attached.) Concurrently with the adoption of the rule, Commissioner Carlos C. Villarreal was unanimously elected to that office by the members of the Commission.

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extra benefit of pre-employment review by each Commissioner is not necessary at all staff levels. (Our past practice has in fact conformed to this realization.) We do believe that, so far as personnel who directly assist the Commission are concerned, this benefit is a real one and should be retained.

We therefore propose that the new § 3604(a)(1) and (2) contained in § 3 of the bill be revised to read:

* * * (1) the appointment of personnel employed under the Commission (except Office heads, who shall be appointed by the Commission), (2) the supervision of such personnel and distribution of business among them and among the Commissioners, * * *.

We believe that the standard suggested for subsection 3604(a)(1) would preserve the benefits of both a useful degree of centralization and a pre-employment review by all Commissioners of those employees who will work most closely with them.

Proposed subsection 3604(d)(2) would eliminate the present review by the Governors of the Postal Service of the Commission's budget. We would not object to this amendment. It is formally more consistent with our role as an independent reviewing body, although the present budgetary system has for the most part worked well.

Section 4. This section of H. R. 7718 would require recommended decisions in rate and classification matters to be made by "an absolute majority of the Commissioners in office". We believe this revision would effect a useful clarification. As we understand it, it would require that where there are five or four Commissioners in office, a decision would have to command the assent of three, and where three are in office, two affirmative votes would be needed.

We would raise three technical questions, however. First, it is not clear what the term "absolute" adds to the numerical concept of "a majority of the Commissioners in office". Even without the word "absolute", an arithmetical majority of the Commissioners in office would be required.

Secondly, the language of the bill suggests that the actual decision rendered must be agreed to by a majority. This could prove troublesome where, for example, two Commissioners sign an opinion prescribing certain rates, one concurs entirely in those rates but wishes to explain the different reasoning by which he arrived at that result, and the remaining two dissent. Under these circumstances there might be a question whether the Commissioner who concurs in the result but writes a separate opinion could be counted as part of the required majority (in this case, three). We would suggest substituting for the phrase "made by a vote of an absolute majority" in § 4 the phrase "concurrent in by an absolute majority". This would preserve the majority principle desired, while leaving concurring Commissioners free to express individual views.

Thirdly, § 3 of the bill, in rewriting § 3604 of the Act, eliminates the general majority requirement for Commission action. By writing the new standard only into §§ 3622 and 3623, § 4 of H.R. 7718 leaves no provision governing other Commission actions, such as those performed under § 3661 (opinions on changes in the nature of service) and § 3662 (complaint cases). We would suggest adding the rule proposed for §§ 3622 and 3623 at the end of §§ 3661(c) and 3662 as well, making appropriate changes to reflect the different types of action called for ("advisory opinion" under § 3661; "recommended decision" or "report" under § 3662).

Section 5. We note that, in contrast to the corresponding provision in H.R. 2445, this section in H.R. 7718 provides for the submission not of "evidence" but of "data and arguments" in rate and classification cases. To the extent that this phrase could be read as allowing parties to make less formal factual presentations we believe it would make our analytical and judgmental task more difficult.

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Sections 6 and 7. We treat these sections of H. R. 7718 together, since they form a single scheme for the restructuring of postal rate and classification proceedings. As we understand the system proposed, the Postal Service would be entitled, if the Commission did not succeed in issuing a recommended decision within ten months from the Service's filing of a request, to put the requested rates into effect as temporary rates under § 3641. 1/ Following the issuance of a recommended decision, the temporary rates could remain in effect for up to 150 days (rather than the present 30), while the Governors considered the decision.

Thus, while the system proposed in H. R. 7718 increases the maximum amount the Service can charge as temporary rates (by eliminating the "one-third greater" limitation of present § 3641), it also limits the promptness with which such temporary rates can be made effective. It is possible that the extended waiting period before temporary rates could go into effect would result in an appreciable financial burden on the Postal Service. Whether the increase in the limit on temporary rates would compensate for this effect would depend on the facts of each case.

Section 8. This provision of H. R. 7718 would carve out a "one-shot" exception to the procedures set up in §§ 6 and 7. In the next rate case filed after July 1, 1975, the Service would be permitted to place its temporary rates into effect almost immediately after filing its request, rather than waiting ten months as the normal procedures would dictate. This mechanism would provide a means of allaying the reportedly exceptional deficit faced by the Service in the near future. We gather from the way in which the section is written that it would not form part of the Postal Reorganization Act as collected in permanent form in Title 39, but is rather temporary or emergency legislation.

1/ Under present law, the Service may put in effect, 90 days after filing a request, temporary rates not more than one-third above the last permanent rate.

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Under these circumstances, we believe that the choice of whether to aid the Service by a transitory modification of rate case procedures or by an appropriation is peculiarly within the discretion of Congress. Section 8 has the advantage of adhering more closely to the principle that postal services should be paid for by those who use them.^{1/} On the other hand, we believe that the truly independent and scientific system of ratemaking desired by Congress can be best achieved if temporary alterations of the governing law are avoided.

Because of the expedited legislative schedule for this bill, we have not requested the advice of the Office of Management and Budget on these comments. We are transmitting copies of this letter to OMB, and will forward its advice, if any, to the Committee.

We hope that these comments will be helpful to the Committee. If you desire any further information from us, please let us know.

Sincerely,

Clyde S. DuPont
Chairman

Attachment

^{1/} Maximum possible compliance with this principle, of course, is not achieved without a thorough review of rates for each class and type of service. Thus, any mechanism which increases the incidence of temporary rates tends somewhat to undercut the principle.

POSTAL RATEMAKING PRINCIPLES ADOPTED
BY THE COMMISSION IN DOCKET R74-1

The Commission's decision of August 28, 1975, in Docket R74-1 adopted ratemaking principles both for the decision of that proceeding and to serve as guides for the hearing and decision of future proceedings. Basic to the two-volume decision that resulted from this effort was the overall goal that postal rates must be (1) fair to the different classes of mailers, (2) allow the Postal Service at least to break even, and (3) yet permit the Commission to decide these matters expeditiously.

The initial inquiry in the R74-1 decision related to the overall revenue requirement of the Postal Service. This generally involved the need to clarify particular cost increases, which in turn might lead to questioning the need for a projected cost increase chargeable to all or a limited number of mail classes. (Decision, pages 11-63).

A major portion of the decision was devoted to establishing the proper framework for determining postal costs chargeable to any particular class of mail. Some costs affected but a single class or service, and could be distributed as a direct charge to that class or service. The Commission decided that most costs, however, must be identified with postal functions and those functions in turn must be related to changes in mail volume (Decision, pp. 76-109). Once

such volume relationships were established, the Commission could then distribute the volume variable, or "attributable," costs on the bases of equal units, such as pieces, pounds, and the like, to each class affected by such costs. All other costs, the "institutional" or "fixed" costs, would then be assigned the classes and services on the basis of demand factors (Decision, pp. 110-134).

The foregoing analysis of postal costs required both the decision of many other related principles of costing postal services (e.g., Decision, pp. 127-132), and an independent review of the cost evidence presented by the Postal Service and the numerous other parties. The Commission specifically adjusted eight large cost categories initially developed by the Service (pp. 135-145) involving the attribution of an additional \$890 million to specific mail classes, or 16 percent more than the Service had proposed.

The Commission described the type of evidence and the costing process it desired the Service and the parties to follow in future cases in the detailed analysis of individual cost categories set forth in Appendix J of the opinion. In this manner it both proceeded to decision on the evidence presented and made certain that the parties fully understood the regulatory need for evidence in the future.

The final step in the rate decision was the consideration of the circumstances and conditions surrounding each class and subclass of mail.

Here we gave specific consideration of the many non-cost statutory ratemaking standards of the Act, 39 U.S.C. § 3622. This step in the decision required the Commission to establish a fair rate for each subclass after consideration of the Service's proposal, the views and evidence of the affected classes, the relationships among classes, as well as the relative attributed and assigned postal costs of service (Decision, pp. 146-310).

PRINCIPAL CASES PENDING
BEFORE THE POSTAL RATE COMMISSIONA. Postal Rate and Fee Changes, 1975 (Docket No. R76-1).

The Postal Service filed a request for recommended decision on increased postal rates and fees on September 18, 1975. The filing was supplemented by an identical filing (made for reasons connected with the Court litigation discussed below) on December 19, 1975, and by an additional filing requesting a decision on fees for special services, tendered on January 5, 1976. Docket No. R76-1 is thus the first case in which the Postal Service has requested recommendations on special service fees as well as on rates of postage.

Intervenors representing the users of all classes of mail have entered the case. A new feature of the public participation in Postal Rate Commission proceedings is the presence in this case of representatives of 17 State governments, who are appearing both as representatives of their populations and as substantial users of the mails (especially first-class service). At the present time there are intervenors in the case, most of whom are trade associations.

Hearings in Docket R76-1 began on January 12, 1976, with the cross-examination of the first witness for the Postal Service. This phase of hearings is now well on its way to completion. Witnesses for the intervenors and for the Officer of the Commission, who is

charged by statute with representing the general public, will be examined at later sessions. The Commission's target date for issuance of a recommended decision is early summer, 1976.

B. Mail Classification Schedule, 1973 (Docket No. MC73-1).

This is the first, prototype mail classification proceeding under § 3623 of the Postal Reorganization Act. By order of the Commission, it has been divided into three phases. Phase I deals with six specific reforms in the classification of mail which the Postal Service proposed at the outset of the proceedings and the structure of the Postal Service's mail classification schedule. Phase II deals with more than thirty specific proposals for change advocated by various mailing interests, while Phase III will cover "long-term" reform and will depend in large part on a series of 19 extensive studies to be performed by or for the Postal Service.

Activity in the mail classification case has so far been concentrated on Phase I issues. A settlement purporting to cover all of the matters at issue in Phase I was submitted to us just a few days ago. Parties will be able to file comments, and the Commission will thereafter issue a decision in the case. The Commission has played an active mediating role in this complex multi-party settlement.

Phase III of the mail classification case, when completed, will be the procedural stage which might produce an overhaul of our historic postal classification system. Both the Kappel Commission and the Congress contemplated such an undertaking as one of the principal goals of postal reorganization.

C. Retail Analysis Program for Facilities Deployment (Docket No. N75-1). The Retail Analysis Program ("RAP") came before the Commission under § 3661 of the Postal Reorganization Act, which requires the Service to seek an advisory opinion from the Commission on any "change in the nature of postal services which will generally affect service on a nationwide or substantially nationwide basis." The case raised significant issues as to the scope of Commission jurisdiction under § 3661, as well as requiring a determination--assuming jurisdiction is found to exist--of the merits of RAP. The Service's request for an advisory opinion was filed on April 11, 1975. A full evidentiary hearing was held before the Commission's Administrative Law Judge, with participation by the Officer of the Commission and several intervenors, including Members of Congress. The Judge issued a 118-page Initial Decision on January 14, 1976, and the parties are now in the process of presenting their exceptions to the Commission.

D. Regulations Implementing Private Express Statutes (Docket No. RM76-4). This proceeding is a "spinoff" from the Mail Classification case, discussed above. The question arose in the classification

proceeding whether the Commission had jurisdiction over Postal Service regulations implementing the Private Express Statutes--those sections of Title 18 and 39, U. S. C., which limit or prohibit the private carriage of letters. On October 22, 1975, the Commission issued a Notice of Inquiry, docketed RM76-4, directed toward the resolution of this question outside the confines of the classification case, and in the form of a notice-and-comment rulemaking proceeding. 5 U. S. C. § 553.

Comments have now been filed by more than a dozen participants, including the Wage and Price Stability Council. The Commission has the matter under consideration.

E. Recent Court Litigation. While not, strictly speaking, Postal Rate Commission cases, the recent lawsuits brought in the District Court for the District of Columbia have engaged much of the Commission's attention and promise to have considerable impact on its functions and those of the Service. The suit brought by the Associated Third Class Mail Users against the Postal Service and the Commission (Associated Third Class Mail Users, et al. v. United States Postal Service, et al., D. D. C. Civil Action No. 75-1809) concerned the legal sufficiency of the Postal Service's request in the current rate case and also raised questions regarding the Commission's jurisdiction over fees for special postal services (which jurisdiction the Postal Service denied).

While the Commission was formally represented by the Department of Justice, the Commission's position on the special services

issue was separately set forth in a memorandum of law prepared by its staff. The District Court found for the plaintiff on both main issues. The injunction against the Service's temporary rates (based on the disputed request filing) was stayed, however, by the Court of Appeals for the District of Columbia Circuit. The matter is now pending before that Court.

Injunctive relief against the temporary rates was also sought in State of Maine, et al. v. United States Postal Service, D. D. C. Civil Action No. 75-1782. The Commission was not a party to that case, which nevertheless involved matters of concern to it in the execution of its statutory rate responsibilities. The plaintiffs there failed to obtain injunctive relief, and have likewise presented their claims to the Court of Appeals for the District of Columbia Circuit.

SUGGESTED AMENDMENT TO THE POSTAL
REORGANIZATION ACT TO MAKE DECISIONS
OF THE POSTAL RATE COMMISSION
FINAL RATHER THAN ADVISORY

The Commission's suggested amendments transferring the final decisionmaking authority from the Governors to the Commission, discussed in the body of Chairman DuPont's statement, are based on provisions of H. R. 15511 (93rd Congress, 2d Session, June 20, 1974). Certain improvements and clarifying changes have been made in that language.

The proposed amendment would read:

SEC. _____. (a) Section 3624 of title 39, United States Code, is amended by adding at the end thereof the following:

"(d) The Commission shall determine the date or dates on which the new rates, fees, mail classification schedule, and changes in the schedule shall become effective. The decisions of the Commission shall not be subject to approval, allowance under protest, modification, rejection, or any other form of review by the Governors."

(b)(1) Section 3625 of title 39, United States Code, is repealed.

(2) The item relating to section 3625 in the table of sections of subchapter II of chapter 36 of title 39, United States Code, is repealed.

(c) Section 3628 of title 39, United States Code, is amended--

(1) by deleting "Governors to approve, allow under protest, or modify the recommended decision of the";

(2) by deleting "and the Governors"; and

(3) by deleting "or Governors".

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(d) Section 3622 of title 39, United States Code, is amended by deleting the word "recommended" in each instance.

(e) Section 3623 of title 39, United States Code, is amended by deleting the word "recommended" in each instance.

(f) Section 3624 of title 39, United States Code, is amended--

(1) By deleting the work "Recommended" in the title;

(2) By striking the word "recommend" in subsection (a) thereof, and substituting the word "issue"; and

(3) By revising subsection (c) thereof to read as follows:

"(c) The decision shall include a statement specifically responsive to the criteria established under section 3622 or 3623, as the case may be. The decision and the record of the Commission's hearings shall be made generally available at the time the decision is issued and shall be printed and made available for sale by the Public Printer within 10 days following the day the decision is issued."

(g) Section 3662 of title 39, United States Code, is amended by revising the third sentence thereof to read as follows:

"If the Commission, in a matter covered by subchapter II of this chapter, determines the complaint to be justified, it shall, after proceedings in conformity with section 3624 of this title, issue a decision, which shall be subject to review in accordance with the provisions of section 3628 of this title."

§ 3622. Rates and fees

(a) From time to time the Postal Service shall request the Postal Rate Commission to submit a ~~recommended~~ decision on changes in a rate or rates of postage or in a fee or fees for postal services if the Postal Service determines that such changes would be in the public interest and in accordance with the policies of this title. The Postal Service may submit such suggestions for rate adjustments as it deems suitable.

(b) Upon receiving a request, the Commission shall make a ~~recommended~~ decision on the request for changes in rates or fees in each class of mail or type of service in accordance with the policies of this title and the following factors:

* * *

§ 3623. Mail classification

(a) Within 2 years after the effective date of this subchapter, the Postal Service shall request the Postal Rate Commission to make a ~~recommended~~ decision on establishing a mail classification schedule in accordance with the provisions of this section.

(b) Following the establishment of the mail classification schedule requested under subsection (a) of this section, the Postal Service may from time to time request that the Commission submit, or the Commission may submit to the Postal Service on its own initiative, a ~~recommended~~ decision on changes in the mail classification schedule.

(c) The Commission shall make a ~~recommended~~ decision on establishing or changing the schedule in accordance with the policies of this title and the following factors:

§ 3624. ~~Recommended~~ [D]ecisions of Commission

(a) The Postal Rate Commission shall promptly consider a request made under section 3622 or 3623 of this title, except that the Commission shall not ~~recommend~~ [issue] a decision until the opportunity for a hearing on the record under sections 556 and 557 of title 5 has been accorded to the Postal Service, users of the mails, and an officer of the Commission who shall be required to represent the interests of the general public.

* * *

(c) ~~The Commission shall transmit its recommended decision in a rate, fee, or classification matter to the Governors.~~ The recommended decision shall include a statement specifically responsive to the criteria established under section 3622 or 3623, as the case may be. [The decision and the record of the Commission's hearings shall be made generally available at the time the decision is issued and shall be printed and made available for sale by the Public Printer within 10 days following the day the decision is issued.]

[(d) The Commission shall determine the date or dates on which the new rates, fees, mail classification schedule, and changes in the schedule shall become effective. The decisions of the Commission shall not be subject to approval, allowance under protest, modification, rejection, or any other form of review by the Governors.]

§ 3628. Appellate review

~~A decision of the Governors to approve, allow under protest, or modify the recommended decision of the~~ Postal Rate Commission may be appealed to any court of appeals of the United States, within 15 days after its publication by the Public Printer, by an aggrieved party who appeared in the proceedings under section 3624(a) of this title. The court shall review the decision, in accordance with section 706 of title 5, and chapter 158 and section 2112 of title 28, except as otherwise provided in this section, on the basis of the record before the Commission ~~and the Governors~~. The court may affirm the decision or order that the entire matter be returned for further consideration, but the court may not modify the decision. The court shall make the matter a preferred cause and shall expedite judgment in every way. The court may not suspend the effectiveness of the changes, or otherwise prevent them from taking effect until final disposition of the suit by the court. No court shall have jurisdiction to review a decision made by the Commission ~~or Governors~~ under this chapter except as provided in this section.

§ 3662. Rate and service complaints.

Interested parties who believe the Postal Service is charging rates which do not conform to the policies set out in this title or who believe that they are not receiving postal service in accordance with the policies of this title may lodge a complaint with the Postal Rate Commission in such form and in such manner as it may prescribe. The Commission may in its discretion hold hearings on such complaint. If the Commission, in a matter covered by subchapter II of this chapter, determines the complaint to be justified, it shall, after proceedings in conformity with section 3624 of this title, issue a recommended decision[.] which shall be acted upon in accordance with the provisions of section 3625 of this title and subject to review in accordance with the provisions of section 3628 of this title. If a matter not covered by subchapter II of this chapter is involved, and the Commission after hearing finds the complaint to be justified, it shall render a public report thereon to the Postal Service which shall take such action as it deems appropriate.

POSTAL RATE COMMISSION
Washington, D.C. 20268

Office of the Vice Chairman

February 9, 1976

Honorable Gale McGee
Chairman, Committee on Post Office
and Civil Service
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

I would like to request that the following thoughts be included as an extension of my remarks in the testimony for the hearings held by your Post Office and Civil Service Committee on Wednesday, January 28, 1976.

You will recall that I came into the government service from the business community in 1969. I had been a corporate executive for many years, with my last assignment being Vice President of the Marquardt Corporation. From 1969 through 1972 I served as Administrator of the Urban Mass Transportation Administration, and joined the Postal Rate Commission in March of 1973. As a businessman on the Commission I have had a unique sensitivity to the problems of the United States Postal Service.

During the past two years I have shared your distress over the protracted treatment of the proceedings by the Commission. As you can imagine, my colleagues and I have done a great deal of soul-searching on this matter. I want to reinforce the statement by Chairman DuPont that the Postal Rate Commission has taken positive action to improve its operations. First of all, the Commissioners are now sitting en banc in the current rate case without utilizing an administrative law judge. This enables the Commissioners to have positive control of the proceedings. This control supported by a tight scheduling should result in the present case being completed in about 10 months. This, Mr. Chairman, should be a new record for any regulatory agency.

While expedition is important, the Commissioners have not lost sight of their serious responsibilities of insuring due process for both the public and mailing interests who have such a large stake in our rate deliberations.

- 2 -

As an example of how the Commissioners are speeding up the rate case proceedings, while preserving the rights of the participants to a full and fair hearing, we have expanded the technique of "discovering" information pertinent to the current rate case by using time-saving, informal methods. We have encouraged participants to group together, when their interests are similar, and make joint presentations. We have further encouraged the expanded use of written cross-examination.

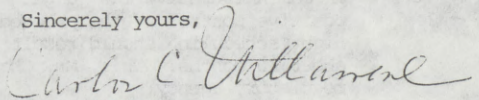
Looking to the future, we are working with the Postal Service to get an Informational Data System which should further reduce the time spent in "discovery" in subsequent rate cases.

In order to increase internal efficiencies we have modified the organizational structure of the Commission. We have added Mr. Vincent DeCain to our staff as Director of Planning and Operations. Mr. DeCain has held senior management positions in the private sector, as well as in the United States Postal Service and the executive branch of government. He is already making a significant contribution within the technical staff.

As a professional manager, I could not help but recognize fully how well the Commissioners are working together. Each Commissioner in his own way brings valuable experience to the job, resulting in an unique combination of regulatory, law, journalism, management, administration and engineering experience, all contributing toward a common fund of maturity, judgment and experience. I am proud to serve as a member of this important Commission.

I cannot close without adding my voice in appreciation to Commissioner Miltich--an appreciation which is so strongly felt by my colleagues for the effective role he played in mediating the Settlement Agreement on the first phase of the massive Mail Classification Case. His leadership and dedication in effecting a reconciliation among the parties was a significant factor in reaching a Settlement Agreement.

Sincerely yours,



C. C. Villarreal
Vice Chairman

[Subsequently, the Chairman of the Postal Rate Commission wrote to the committee regarding the Commission's litigation authority; and the Department of Justice added its views in a letter on this same subject. The two letters follow:]

POSTAL RATE COMMISSION
Washington, D.C. 20268

February 17, 1976

Honorable Gale McGee
Chairman, Committee on Post Office
and Civil Service
United States Senate
Washington, D.C. 20510

REC'D FEB 17 1976

Dear Mr. Chairman:

In testifying before the Post Office and Civil Service Committee in its January 28, 1976, hearings on S. 2844, I stated that my fellow Commissioners and I believed the Senate should give favorable consideration to making the Postal Rate Commission fully independent with regard to representation of its views and positions in court litigation.

As you may recall, the Commission (like the United States Postal Service) is now, by statute, required to obtain such legal representation from the Department of Justice. In describing the present situation, I referred to some difficulties that had arisen in the case of Associated Third Class Mail Users, et al. v. United States Postal Service, et al., D.D.C. Civil Action No. 75-1809, now pending before the Court of Appeals for the District of Columbia Circuit at Docket Nos. 75-2227, 75-2228. In that litigation--in which not only the Postal Service, but the Commission and the five Commissioners in their official capacity, were made defendants--the historically opposite positions of the Postal Service and the Commission on the subject of Commission jurisdiction over fees for special services were an important issue. In the January 28 hearings, we pointed out the difficulty of the position in which the Justice Department was placed through the requirement that it represent two coequal Federal agencies with diametrically opposed views.

This letter is intended to outline for the Committee some of the unfortunate consequences of that arrangement, as they have developed in later stages of the litigation.

In testifying before your Committee, I stated that the arrangement that prevailed in the trial stage of the Third Class Mail Users case, before Judge Sirica, was "a somewhat clumsy expedient". The Justice Department then--having declined to delegate to the Commission, as it has the power to do, the authority to represent itself--agreed that the

Honorable Gale McGee (2)

Commission's memorandum setting forth our view of the law would be attached to the Department's brief as an "informational" appendix. See Attachment A hereto. By agreement with the Department, we prefaced our memorandum with a clear acknowledgment that it represented the views of the Commission ^{1/} and not those of the Postal Service--which, as a result of the Justice Department's decision, had become the "official" Government position.

Having failed to convince the District Court of the soundness of the Postal Service view on special services jurisdiction, the Department took an appeal to the United States Court of Appeals. It is at this stage of the litigation that the system of Department representation of both the Service and the Commission has clearly broken down.

In a brief to the Court of Appeals (prepared, apparently, by Department and Postal Service counsel without substantive consultation with, or review by, the Commission), there is no description whatever of the Commission's position on special services jurisdiction. The only reference, descriptive or otherwise, to the existence of a contrary Commission view on the subject is the following purely referential footnote on page 13 of the brief:

^{5/} The Government also filed a "Memorandum of Law" prepared by the Postal Rate Commission setting forth its views on the application of chapter 36 of the Act to the establishment of fees for special, nonpostal, and similar services (App. 118-147).

The Department's brief also seeks to make it appear that in testifying on H.R. 2445, 94th Congress, the Commission favored a provision that would give it "new" authority over special service fees. As the Department's own quotation from the Commission statement makes clear, what we favored in our comments on the bill was a provision which would authorize rate proceedings on special service fees without a hearing and recommended decision if the Commission found these steps unnecessary-- a degree of latitude not available under §§ 3622 and 3624. Chapter 36 of the Act, however, has been consistently interpreted by the Commission as establishing its authority over these fees.

^{1/} And of the Comptroller General as well. See his letter-opinion of October 28, 1975, which is included herewith as Appendix B to Attachment A.

Honorable Gale McGee (3)

We purposely limit this letter to a description of the areas in which the requirement that we obtain representation from the Justice Department has clearly failed to produce a fair presentation to the court. Thus, if the Commission were in a position to file its own brief in the Court of Appeals, we would depart radically from the Department's reading of the District Court's reasoning on the special services issue--a reading we think seriously distorts the reasoning process by which Judge Sirica arrived at his conclusion.

We recognize, of course, that an advocate feels compelled to present the views of his side as forcefully as possible. This obligation, however, ought to be tempered--especially in the case of the Department of Justice in its role as counsel for the Federal Government--by considerations of fairness and a concern for the completeness and accuracy of the representations made to the court. When the consistent, formally expressed 2/ views of an agency which the Department is charged with representing are not even referred to in its court papers, the omission is a serious disservice both to the court and to the Government as a whole. If the competing values of advocacy and fairness cannot be reconciled within the present system, then we respectfully urge that the Congress change that system. It was the apprehension of a situation like that which has now arisen which led us to urge upon your Committee the desirability of providing for independent legal representation for the Postal Rate Commission, and we now believe that events have shown our apprehension to be justified.

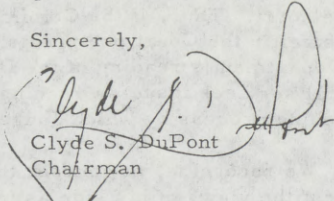
We would appreciate the placing of this letter in the record of the Committee's hearings on S. 2844. For the convenience of the Committee, we are enclosing copies of the District Court

2/ For a review of the Commission's public statements on this issue, see the attached Memorandum of Law, pages 3-5.

Honorable Gale McGee (4)

decision (Attachment B) and of the Department's brief (Attachment C). In view of the fact that we discuss matters pending before the Court, we are sending copies of this letter to all parties to the litigation.

Sincerely,



Clyde S. DuPont
Chairman

Attachments--A--Memorandum of Law by the Postal Rate Commission
B--Memorandum Opinion and Order in Associated Third
Class Mail Users v. United States Postal Service
D.D.C. Civil Action No. 75-1809 (December 16,
1975)
C--Brief for Appellants, Associated Third Class Mail
Users v. United States Postal Service, D.C. Cir.
Nos. 75-2227, 75-2228

cc. with attachments:

Honorable David N. Henderson
Honorable James M. Hanley

cc: All Parties (without attachments)

ASSISTANT ATTORNEY GENERAL
CIV. DIVISION

Department of Justice
Washington 20530

25 FEB 1976

Honorable Gale McGee
Chairman, Committee on Post Office
and Civil Service
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In his letter to you of February 17, 1976, Mr. DuPont, Chairman, Postal Rate Commission, has criticized the Department of Justice's handling of the pending litigation involving the temporary postal rate increases (Associated Third Class Mail Users, et al. v. United States Postal Service, et al., D.C. Cir., Nos. 75-2227-2228). We believe that Mr. DuPont's charges against us are unfair and completely unfounded, and there is no occasion for the Postal Rate Commission to obtain independent representational authority.

In this litigation, the Department of Justice was called upon to represent both the Postal Service and the Postal Rate Commission with respect to the primary issue in the case -- the validity of the temporary postal rate increase scheduled to go into effect on December 28, 1975. On this primary issue, the position of the Postal Rate Commission coincided with that of the Postal Service. Thus, with respect to this important question, on January 5, 1976, the Department was successful, on behalf of both the Commission and Postal Service, in obtaining from the Court of Appeals a stay of Judge Sirica's order which had enjoined the scheduled rate increases, amounting to \$7.2 million a day in increased revenues. The temporary rates have now been put into effect, with the result that the Postal Service has staved off fiscal insolvency.

- 2 -

A secondary issue in the case was the question of whether the Postal Service was required to submit a request to the Postal Rate Commission before fees for "special, nonpostal or similar" services could be increased. With respect to this issue, the Postal Service and the Commission have taken opposing positions. Since the position of the Commission was being ably presented by our opponents in the case, who were represented by, among others, former Postmaster General Edward Day, it was essential for this Department to present the views of the Postal Service to the courts, because, otherwise, those views would not have been presented. Therefore, we filed a brief in the district court on behalf of the Postal Service on this issue, and, in addition, filed on behalf of the Postal Rate Commission a memorandum of law which it had prepared. At the district court hearing, we also argued the position of the Postal Service, while our opponents argued the position that the Postal Rate Commission had taken. In its decision, the district court ruled in favor of the Postal Rate Commission.

At the appellate stage of the litigation the same procedure was followed. When Department counsel appeared for oral argument, in the Court of Appeals, on the Government's motion for stay pending expedited appeal, Department counsel explicitly told the court that on the issue of special services the Postal Service and the Postal Rate Commission differed, and that while he would argue the position of the Postal Service, the contrary position of the Postal Rate Commission was set forth in a memorandum of law which the Department had filed with the lower court. Mr. Day and other opposing counsel again argued, in the Court of Appeals, the position which the Postal Rate Commission had taken. After this argument, and before the Department filed its brief, Department counsel conferred with counsel for the Postal Rate Commission and specifically advised him that the Department would again bring the Commission's views to the attention of the Court of Appeals by including the Commission's entire memorandum of law in the joint appendix which the Department was planning to file together with its brief. Commission counsel stated that this procedure was perfectly acceptable. Accordingly, the Department reproduced the Commission's memorandum in the joint appendix and in its brief referred the Court to it. At oral argument on the merits, Department counsel again explicitly pointed out to the Court that

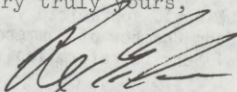
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the Commission disagreed with the Postal Service on the matter of special services, and that the Commission's views were set forth in detail in the memorandum of law reproduced in the joint appendix. At this argument, Mr. Day and other opposing counsel also presented to the Court the arguments made by the Commission in its memorandum.

In this manner the Department complied fully with its agreement with the Commission, yet also complied with the long standing policy of presenting a unified Executive Branch position to the judiciary. We believe that it is the responsibility of one coordinate branch of government to another to present such a position, and that the best interests of government are thus served.

We would appreciate that this letter in response to that of Mr. DuPont be placed in the record of the Committee's hearings on S. 2844.

Very truly yours,



REX E. LEE
Assistant Attorney General
Civil Division

cc: Honorable David N. Henderson
House of Representatives
Cannon House Office Building
Room 235
Washington, D.C. 20515

Honorable James M. Hanley
House of Representatives
Cannon House Office Building
Room 106
Washington, D.C. 20515

Mr. Clyde S. DuPont
Chairman
Postal Rate Commission
Washington, D.C. 20268

FLOYD K. HASKELL
COLORADO

United States Senate

WASHINGTON, D.C. 20510

February 3, 1976

REC'D FEB 6 1976

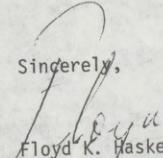
The Honorable Gale W. McGee
Chairman
Post Office and Civil Service Committee
United States Senate
Washington, D. C. 20510

Dear Senator McGee:

I would appreciate your including the enclosed resolution by the Eads Chamber of Commerce as part of the hearing record on Postal Service reform legislation.

Thank you.

Sincerely,


Floyd K. Haskell
United States Senator

FKH/sh

C OF C SPEAKS OUT ON POSTAL SERVICE

The Eads Chamber of Commerce, in its first regular meeting of the year, passed a resolution urging that postal service in Eads and other smaller towns of the country be maintained at the level of years past, even if it means support by outside tax dollars.

The resolution urged government officials at all levels to work to put the postal service back under the control of Congress and to accept the principle that postal service must be subsidized "for the safety and progress of the nation."

The resolution was introduced by Becky Larrew of the Kiowa County Press and passed unanimously.

Members of the Chamber reviewed the successful Eads Christmas program and initiated discussion of the Chamber's part in the 1976 Kiowa County Fair and Rodeo.

During the meeting, members were introduced to Nick Johnson, new editor and publisher of the Kiowa County Press, and it was stated that election of Chamber officers would take place within the next few weeks.

THE TEXT OF THE RESOLUTION

Whereas, the economy of this nation, State of Colorado, County of Kiowa, and Town of Eads depends upon the freest possible access to transportation and communication;

And whereas, the United States Postal Service, in its inception, was dedicated to the service of the democracy, and the taxpayers of this nation were more than willing to not ask for it to pay its way, but are generally in favor of subsidizing it to keep all forms of written communication flowing freely and efficiently

And whereas, these same taxpayers in the early days of our developing nation were more than pleased to see the nation's railroad system built further and further west, again supported by millions of tax dollars, and large acreages of free land

And whereas, the Town of Eads and thousands of many small towns and cities have until recent years enjoyed the benefits of both a service-dedicated postal system, and a town-to-town rail passenger, freight system;

And whereas, under the guise of so-called modernization and efficiency the postal system has been taken out from the direct control of the people's representatives in Congress, and town-to-town delivery by rail and feeder truck have been abandoned in favor of a mish-mash of sectional centers, long needless "round-trip" hauls by truck and airplane;

And whereas, the United States is challenged, according to our leaders, by an energy crisis, and the need for more and more public transportation in the rural areas, as well as in the urban districts;

And whereas, decisions made in this United States only on the basis of what is good for the larger cities, and their sprawling suburbs cannot necessarily be in the best interest of the country, as is well demonstrated by the crises in New York and other cities: now therefore be it

Resolved. That the Chamber of Commerce of the Town of Eads, Colorado asks of all its town, county, state, and federal officials that they give direct and positive influence to put the postal system back under the control of Congress, and accept the principle that this most important function of a democratic government must be subsidized for the safety and progress of the nation, but that it be made truly efficient and energy-saving by reinstituting the very capable operations of the mails being carried across the country east and west by passenger trains on all of the existing routes, and feeder lines operated by trucks on the north-south connections; and further be it

Resolved. That the railway postal clerk be reinstalled on all these trains to again give all communities an efficient and much less costly postal service again, and at the same time recreate the sorely needed public transportation system, serving all of the country's communities, large and small.

The first part of the report deals with the general situation of the country and the progress of the work during the year. It is followed by a detailed account of the various projects and the results achieved. The report concludes with a summary of the work done and the plans for the future.

The second part of the report deals with the financial aspects of the work. It gives a detailed account of the income and expenditure for the year, and shows how the funds have been used. It also gives a statement of the assets and liabilities of the organization at the end of the year.

The third part of the report deals with the personnel of the organization. It gives a list of the staff and their duties, and also a list of the volunteers who have helped in the work. It also gives a statement of the training and development of the staff.

The fourth part of the report deals with the public relations of the organization. It gives a list of the public relations activities carried out during the year, and also a list of the media coverage of the organization's work. It also gives a statement of the public opinion of the organization's work.

The fifth part of the report deals with the future plans of the organization. It gives a list of the projects and activities planned for the next year, and also a list of the resources needed to carry out these plans. It also gives a statement of the organization's vision for the future.