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# POSTAL REORGANIZATION

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BEFORE THE

## COMMITTEE ON

## POST 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 3

MARCH 29, 1976

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



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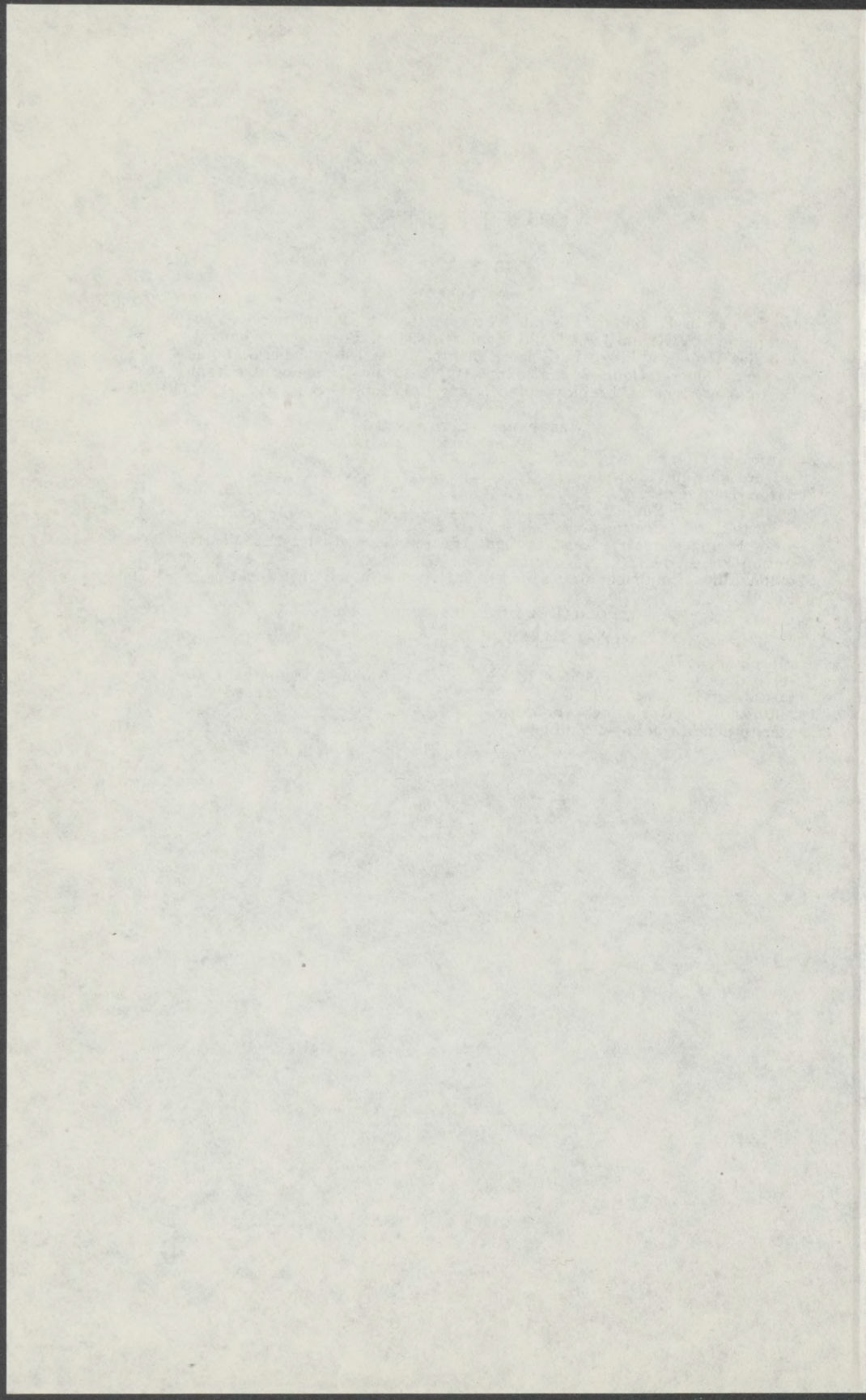
Hon. Benjamin F. Bailar, Postmaster General, U.S. Postal Service; accompanied by Richard F. Gould, Senior Assistant Postmaster General, Finance Group; William F. Bolger, Deputy Postmaster General; Louis A. Cox, General Counsel; and James V. P. Conway, Senior Assistant Postmaster General, Employee and Labor Relations Group-----	Page 20
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# POSTAL REORGANIZATION

## Part 2

MONDAY, MARCH 29, 1976

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

The committee met, pursuant to notice, at 10:03 a.m., in room 6202, Dirksen Senate Office Building, Hon. Gale W. McGee (chairman of the committee) presiding.

Also present: Senators Fong and Bellmon.

### OPENING STATEMENT OF CHAIRMAN McGEE

The CHAIRMAN. This hearing is called to order on the most popular subject in America today.

As Senator Fong and the other members of the committee would agree, the easiest road to winning a high rating in the polls is to be involved in this question.

But the distinguished Senator from Hawaii and I have been in the thick of this for a great many years now. We think we know from whence we have come. This is the reason we are concerned about recent developments, at least in a very public way, about matters in the Postal Service.

I am glad to have you here this morning, Mr. Postmaster General. We may begin requiring that you pay rent up here, having spent a lot of time on the Hill these days.

You were here a few weeks ago to open up our series of reassessments and reexaminations of the Postal Service. You launched this series of hearings, and then we heard from the GAO on its very extensive and very intensive study that it has just completed of the Postal Service, studies that represented 200 man-years of examination of the insides of postal operations.

Then we have had the privilege of having the Director of the Office of Management and Budget before us, Mr. James Lynn, in order to describe for us the administration's position in regard to the Postal Service, and Mr. Lynn, on that occasion, identified a member of his staff, Mr. Collier, who was to be the official contact man for the White House with the Postal Service. That was on a Thursday.

On Monday, we heard that the White House appointed Mr. Collier to some other official post in the Government of the United States, and we are without a White House contact.

In a mood of considerable embarrassment, the Director of OMB called me the next week—I called him first to find out now who was our man in this Washington shell game that was to be responsible

for the administration's position—and Mr. Lynn assured me that he himself would be the official man. That is the last I heard of that. That was several weeks ago.

So we are here, Mr. Postmaster General, in that context, to have you explain to us a series of public pronouncements, particularly at the Economic Club in Detroit, but elsewhere in public ways, that appear to advocate cutting back postal services—making changes at the policy level that, in the eyes of many of us who have grown up with this question, are a violation of the law itself. Postal policies were laid out in the Reorganization Act before you came aboard, I hasten to add. They set general directions and standards of service, minimum service, and it was our hope that a tightened management approach, running a tight ship, might be able to make it under those policies.

But what was not anticipated was a unilateral effort on the part of either the Postmaster General or the White House to arbitrarily cut back service levels in the Postal Service.

The obvious items I am referring to are cutback of business deliveries already announced, and underway apparently, in several Eastern cities, the proposed elimination of Saturday deliveries, cutback in rural post offices.

We have asked you up here to explain your entry into the policy-making field and what you have in mind and why.

With that, I want to make a part of the record the remarks I made on this general question that were in the Congressional Record about a week ago.

Likewise, I have a series of questions from Senator Randolph that I would make a part of the record with the understanding that they be integrated in the hearing record of the morning with the replies that you and your Department members would submit in response to those questions.

I have also a statement for the record from Senator Hatfield of Oregon.

I will make that a part of the record.

And Senator Hugh Scott from Pennsylvania has a statement for the record.

[The information referred to follows:]

## CONGRESSIONAL RECORD — SENATE

*March 18, 1976*

## THE POSTAL SERVICE

Mr. MCGEE. Mr. President, the time has come to speak bluntly about the Postal Service and its apparent alarming course.

Let me first state my points briefly and succinctly and then later in my remarks I shall try to elaborate. I oppose the following items which have received far too much attention to the detriment of the real problems confronting the U.S. Postal Service and its patrons:

First. I oppose wholesale closing of small post offices.

Second. I oppose reducing 6-day delivery by any number of days;

Third. I oppose service reductions to downtown business customers in 10 east coast cities;

Fourth. I oppose service curtailment now being planned in 14 additional cities in the South;

Fifth. I oppose the nonsense that is sometimes abroad and which recommends that the Postal Service be turned over completely to private enterprise;

Sixth. I oppose the far too prevalent resistance in the White House to increase public service subsidies to the Postal Service which desperately needs those subsidies; and

Seventh. I oppose the apparent attempt on the part of the Postmaster General to circumvent the policymaking role of the Congress.

The Congress is under a constitutional imperative to set policy for the Postal Service. It has done so and will continue to do so. The Senate Committee on Post Office and Civil Service is right now embarked upon addressing itself to the problems of the Postal Service and to the problem of setting policy for the U.S. Postal Service. This is precisely what the committee's hearings on S. 2844 have been all about.

Mr. President, the Postal Service recently announced service reductions for its downtown business customers in 10 major east coast cities. Service curtailments in 14 additional cities in the South are now being planned.

These service cuts are the latest example of erosions in the quality of our postal service—erosions that must be stopped.

We are now seeing cutbacks not only in the cities but also in the rural areas

where small post office closings are proceeding apace. The Postal Service has closed 186 small offices since last July. An additional 600 are earmarked for extinction.

Members will recall that the Congress relied heavily upon the Kappel Commission report in its consideration of postal reorganization in 1970.

How did that Commission envision the quality of service under the new unshackled management? The Commission's report said, "Postal management should not only upgrade the reliability of day-to-day mail delivery to both urban and rural areas, but should turn its attention also to the unfulfilled needs of the public for additional public services."

Despite this glowing prediction, the Senate committee report on the Postal Reorganization Act warned:

The Committee reports the bill with the reminder to present and future postal managers that the system will work only if the public interest is kept as the paramount criterion in every decision made.

That was not just an idle admonition, for it is backed up by the law.

On post office shut-downs, the law says:

No small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities.

To me, that is clear. It means that Congress, the President, and the people oppose the wholesale shutting down of post offices in remote and rural areas as a matter of public policy.

Yet a high-ranking postal official takes a different view. Last month when 53 Members of Congress, joined by the two postmasters' organizations, obtained a temporary restraining order in an effort to put a stop to post office closings, that Postal Service spokesman accused the Members of Congress who were a party to the suit of endorsing "makework or featherbedding."

It is astounding to me that a responsible official would so derogate the very public policy which was established to guide his own efforts and those of every other postal administrator.

As for service cutbacks, the law provides that the Postal Service must request an advisory opinion of the Postal Rate Commission before making service

changes on a nationwide or substantially nationwide basis. Now reasonable men may differ in their evaluations of whether service cutbacks in 24 major cities is "nationwide or substantially nationwide." Although postal patrons in those cities receive mail from correspondents located "nationwide," I would not press the point. Nevertheless, the intent and spirit of the law are clear. Postal policy as determined by Congress envisions substantial public consideration and assessment before major service cuts, such as the ones just announced, are made; and I regret that we must learn of such service reductions in the news media after the fact.

Certainly, however, the Postmaster General must now realize that his public statements about reducing service amount to more than numbers in a profit-and-loss statement; for the Postal Service touches us all wherever we live, a fact recognized and reiterated in the policy section of the Reorganization Act.

Profit and loss, of course, must be one of the Postmaster General's chief preoccupations, for by the end of this fiscal year, the Postal Service will be laboring under a cumulative deficit in excess of \$3 billion. But a deficit of such proportions cannot by any means whatever be offset by the cost-cutting steps so far taken by the Postmaster General. Consider for a moment the size of the savings realized by cutting service when compared with the cost of operating the whole postal system.

The Postal Service proudly maintains that a saving of \$2 million was made possible by the closing of 186 post offices since July of last year. The total annual postal budget is \$14.5 billion for fiscal year 1976. The manpower cost alone—86 percent of the total budget—works out to \$14.2 million per hour. The \$2 million the Postal Service has saved in its current post office closings would pay manpower costs for the total system for exactly 9 minutes.

So for the equivalent of 9 minutes of operating time, the Postal Service incurred the wrath of 53 Members of Congress, provoked a lawsuit, and persuaded thousands of mail users that, in yet another public area, the quality of life in the United States is diminishing.

The Postmaster General must preserve current levels of service. The cuts made in the past several years and those now contemplated are too many and too deep.

Air star routes for overnight service have been abandoned.

Same-day delivery in downtown

areas—the ABCD program—has gone aglimmering.

Local mail has been slowed down by mingling it with area mail.

Residential area mail pickup—with a sweep at the end of the day—has all but dried up.

And now three downtown deliveries a day, formerly reduced to two, are being cut even further in major cities.

Mr. President, the Postmaster General has journeyed to Detroit, Mich., and to San Francisco, Calif., to find forums in which to call on the American people, as he said, "to share with me their views so that we may begin the crucial task of establishing long-range postal policy."

In his Detroit speech before the Economic Club, he called for a reevaluation of mail service to see whether they still have value in modern America. Admitting that there is no way that internal cost cutting alone can wipe out the current postal deficit and correct the imbalance between costs and revenues, he asked these questions of his audience:

Do all Americans really need six-day-a-week delivery?

Do we all really need mail delivered to our front doors?

Do we really need 40,000 post offices, stations and branches?

Should all first-class letters cost the same? That is, should a metered, type-written, ZIP Coded, bulk mailing cost the same amount per piece as individual correspondence?

Under current postal policy, the answer to these questions is "probably yes"; and it is important that any change contemplated must only occur under law. The proper forum for airing the Postmaster General's views is in the Congress of the United States. All of us know, from our mail, from our talks with folks at home what kind of service the average citizen wants. He wants postal service as good as possible; at least no worse than it is now. And it is in the Congress that these and other, perhaps divergent, views should be weighed, assessed, and decided upon. Congress is here for that purpose—to set public policy, including the broad guidelines under which the Postal Service will be operated.

Mr. President, the Post Office and Civil Service Committee is currently in the midst of hearings on a bill which I sponsor to increase substantially the public service allowance authorized by the Congress to allow the Postal Service to operate a universal mail system serving all the people.

Among the important purposes of the bill is to reduce the frequency of postal

rate increases. If postal revenues and costs can be brought more nearly into consonance by the additional funding the bill would authorize, I am confident that the constant upward spiral of rates can be substantially slowed. Rates inevitably will increase as costs go up, but over the past 5 years first-class rates have far outdistanced the Consumer Price Index. Since May 1971, when the 8-cent rate became effective, first-class postage has risen 63 percent. At the same time, the CPI has increased 35 percent. May bill would slow down rate increases and this effect, we are confident, would help maintain the stable mail volume upon which the Postal Service relies so heavily for revenue.

In its consideration of S. 2844, the committee has heard testimony from Postmaster General Ben Bailar. He endorsed the thrust of the measure and responded to questions about postal operations. It is true that in his testimony he also questioned whether the present structure of traditional postal services is essential or relevant to our future national needs, but nowhere did he call for a national dialog or request far-reaching policy changes.

Now that he has unveiled in Detroit and San Francisco his strong misgivings about the economic viability of a universal postal service for America, I think it appropriate to ask him to discuss these views in greater detail with the committee—with Members of the Senate responsible under the Constitution for considering the kind of broad-gage changes he has been suggesting around the country.

Accordingly, I am scheduling a hearing for March 29—a hearing at which the Postmaster General and his staff will be the sole witnesses. In addition to hearing his views on why the scope of postal operations should be reduced, the committee will want to question him on service cuts. And I will ask for his assurance that he will maintain service at its current levels in accordance with the guarantees of the Postal Reorganization Act. For that law must prevail unless or until it is changed.

Questions by Senator Randolph  
for Postmaster General Benjamin Bailar  
in Connection With the  
Post Office and Civil Service Committee  
Hearings on March 29, 1976

1. When did you or your Washington staff first learn of the operational failures of the Bulk Mail Centers in Detroit and Chicago?

In late October or early November 1975 Mr. E. S. Brower was advised by the Central Region of a damage problem in the handling of heavy parcels, particularly large book shipments, in the Bulk Mail Centers. On November 13, 1975 revised guidelines were issued relative to the processing of book cartons in the Bulk Mail Centers. It was assumed that the situation would be corrected.

The magnitude of the uncatalogued or undeliverable loose-in-the-mails material allowed to build up in the Detroit Post Office came to the attention of the Headquarters staff as a result of Congressman Charles Wilson's visit to the Detroit Post Office early in March 1976. The magnitude of loose-in-the-mails material at the Chicago Post Office became apparent at approximately the same time.

2. Are there any major problems in the operation of any of the Bulk Mail Centers of which you are aware that have not been made public?

No. We announced the Chicago matter ourselves.

3. Do you believe the Bulk Mail System is a workable cost efficient concept for handling parcels and other types of mail? Please comment.

Yes. During their start-up periods most Bulk Mail Centers have assumed their processing functions without major difficulties. Plant efficiencies have climbed from 40% levels to almost 90% in as little as six months. In plants having the magnitude and complexity of Bulk Mail Centers, this is a good record. Our overall experience to date, and especially that during the past Christmas period, has demonstrated the ability of the Bulk Mail Centers to handle their volume loads.

The final financial assessment of the NBMS is not complete because we are still in the implementation stage. However, present estimates of system savings show a return on investment of 10%. This is lower than our earlier expectations primarily because of the volume declines we have experienced in parcel post in the recent past. The return still represents substantial operational savings.

4. What classes and types of mail will be processed in the Bulk Mail Centers?
- Non-preferential second class mail in bulk form
  - Third class mail in bulk form
  - Fourth class mail in piece and bulk form
5. What are the costs of the Bulk Mail System? Please provide the information in such a way that costs can be identified for each of the facilities.

<u>BMC</u>	<u>Actual Capital Cost through 2nd Q FY-76 (\$000)</u>
Atlanta	36,326
Chicago	67,154
Cincinnati	40,631
Dallas	40,504

<u>BMC</u>	<u>Actual Capital Cost</u> <u>2nd Q FY-76 (\$000)</u>
Denver	35,988
Des Moines	33,624
Detroit	40,683
Greensboro	32,023
Jacksonville	33,773
Kansas City	35,850
Los Angeles	47,711
Memphis	35,298
Minneapolis	37,893
New York	100,704
Philadelphia	45,421
Pittsburgh	45,672
St. Louis	37,345
San Francisco	35,664
Seattle	32,886
Springfield	40,436
Washington	44,479

6. Please provide a list of all post offices currently being surveyed for closing or consolidation. Also provide the basis for the proposed closing of each office. The list should be submitted by State.

Attached is a copy of a computer printout which lists, by state, the offices that are currently under survey, and those that have been either cancelled, rejected, not approved, approved, or approved and effective.

(Placed in Committee files.)

At present, approximately 1,400 surveys are under way looking toward a possible change in status of a post office. As these surveys are in the preliminary stages of development, it is impracticable to provide the basis for each of these proposed closings or consolidations. Only when a recommendation is received by postal headquarters from a Regional Postmaster General are we able to review the basis for the change.

7. Q: Please provide a complete breakdown of your advertising budget, including any contracts in force during the current fiscal year and the cost of each contract. The justification for the contracts would also be helpful.

A: In fiscal year 1976 the Postal Service will invest approximately \$8.4 million in advertising. This will be allocated among the following advertising efforts:

- Service Campaign (packaging, return address, etc.)	\$1.8 million
- Philatelic Campaign	\$4.1 million
- Household Correspondence Test	\$2.1 million
- Moved Mail Test	\$0.2 million
- Public Service (ZIP Code, Mail Early)	\$0.2 million

The Postal Service contracts with one full service advertising agency at a cost approximating the figures outlined above. The contract was let on a competitive bid basis and includes a provision for two additional one-year extensions, at the option of the Postal Service.

Advertising expenditures are closely monitored to assure that they accomplish one or more of the following objectives:

- Increase postal revenues. Both the Philatelic and the Household Correspondence advertising fall into this category. In FY 1975, for instance, the Postal Service's stamp collecting program produced a surplus of approximately \$51 million over and above its costs. The objective of the Correspondence Advertising Test is to increase household correspondence volume by 10% with corresponding increases in revenue.
- Decrease postal costs. It has been our experience that educating the public on how to use postal services through advertising can reduce operating costs. The Moved Mail advertising program now being tested aims at reducing the estimated \$330 million a year spent rehandling mail for families that move. The ZIP Code program is also aimed at reducing operating costs through encouraging the use of ZIP Codes on all mail.

- Improve service to the benefit of the public and major mailers. The Service advertising program delivers useful information to the public which, when used, will improve the services the public receives. Undeliverable-as-addressed mail, proper package wrapping and the First Class Mail Improvement Program are examples of subjects covered by this program.
8. How much of the postal deficit can be attributable to the operation of the Bulk Mail Centers?

The Bulk Mail System was developed by the Postal Service to reduce its operating costs for the processing of certain classes of mail. Although the savings from the implementation of the Bulk Mail System have been reduced from the original estimates, the Postal Service will still have lower operating costs with the Bulk Mail System than it would have without the Bulk Mail System. Thus, the operation of the Bulk Mail Centers will not contribute to the Postal Service deficit.

9. Q: Is postal research and development centralized under one department? Please explain the R&D structure and operations.

A: Yes, the majority of all postal research and development is centralized in the Research & Development Department, managed by an Assistant Postmaster General. The Department is divided into five basic units, each with a unique area of responsibility. They include the following:

- Office of Letter Mail Systems Development
- Office of Advanced Mail Systems Development
- Office of Packaged Mail & Transportation Systems
- Office of Technology Research
- Office of Laboratory Services

The major portion of the Research & Development effort is focused on the development and testing of mail processing equipment from the initial concept phase through the point where the Postal Service adopts the equipment as a standard piece of mechanization.

In addition to mail processing equipment, Research & Development is involved in the development of Customer Services and support equipment and transportation equipment and systems. Development projects which fall into these categories include containerization, point-of-sale equipment, etc.

The Research & Development Department provides technical support to other Headquarters departments through its laboratory and testing services and the expertise of its engineering staff. It also conducts special research studies on technical matters such as paper and ink characteristics and optimum envelope weight and size standards.

10. Is your research and development effort headed by a person with a strong background in this activity?

The present Assistant Postmaster General for this area has considerable management experience in postal field operations. He heads a group of managers with extensive Research & Development experience. His specific mission is to facilitate the practical application in the field of technology developed by the Postal Service and he was selected for the position based on the expertise he could bring to that task.

11. Q: Would development of long-term postal operations equipment be enhanced if the Research & Development budget was specifically allocated by Congress?

A: The present method of setting the Research & Development budget is, we believe, the most logical and consistent method. It allows the Postal Service to set priorities for research and development and to weigh those priorities against other USPS budget requirements.

12. Q: Is a separate procurement department needed for research and development?

A: No. The present arrangement works quite well. Within the Procurement and Supply Department are experts who work closely with the Research & Development Department to meet their requirements. The present arrangement also allows for greater objectivity and a "second check" on procurement and contracting activities.

## PREPARED STATEMENT OF SEN. HATFIELD

## SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE

MARCH 29, 1976

Mr. Chairman, I am grateful for the opportunity to appear before the Senate Post Office and Civil Service Committee to offer my opinion on recent plans by the Postal Service to cutback service to mail customers, especially those patrons who rely on small post offices. First, let me emphasize that I am well aware of the huge budget deficit which the Postal Service is facing this year. However, I am not convinced that the closures of small offices will have an impact which is entirely agreeable for our postal system. In a budget totalling over \$14.5 million for fiscal year 1976, the \$100 million in savings is quickly swallowed up. And that savings can only be realized, according to GAO estimates, if some 12,000 smaller post offices are closed. To shut the doors on that many rural offices would only convince many Americans that service cuts have gone too far and too deep.

Yet, these plans for post office closures have had some significant effects for the Postal Service. Through this action, it has provoked a lawsuit, incurred the wrath of many members of Congress and created more disenchantment with many mail customers. Senator Hugh Scott has introduced legislation which would force the Postal Service to consider, in a more open manner, several factors beyond economics before any office could be closed. Along with 22 of my colleagues, I have joined Senator Scott as a cosponsor. An identical bill has been introduced in the House.

Backed by this support, I would ask Mr. Bailar to bring an immediate halt to the closures of third and fourth class offices until the Congress has thoroughly examined all legislation aimed at clarifying this policy. It is my understanding that the Postmaster General has given Congressman James Hanley the impression that the Postal Service will agree to a moratorium on service cutbacks. To satisfy my concerns, I would like a clarification of this situation from Mr. Bailar.

1. The moratorium on service cutbacks has been viewed as extending to any changes in a six-day-a-week service. Does your message to Congressman Hanley mean no elimination of Saturday mail service?

Some reports of a "moratorium" on cost-cutting efforts that might affect service have been inaccurate. There is no such moratorium. Saturday mail service could not be eliminated unless the Postal Service first requests an advisory opinion from the Postal Rate Commission on the change. The Postal Service has not yet decided to do so.

2. In a recent speech, you asked if Americans really need six-day-a-week service. What is your answer to that question?

The nation's need for six-day-a-week regular delivery service can best be determined after public dialogue. Recent speeches that have raised the question have done so in order to stimulate that dialogue, which is now developing.

3. To return to the problems of small post offices, what are the alternative services available to the customers when a rural office is closed?

The alternative services available to customers served by a small, rural post office that may warrant a change in status are outlined in a standard letter sent to each customer. Attached is the letter used to explain the available alternative services and to afford customers the opportunity to comment.

### U.S. POST OFFICE

Postal Customer

PROPOSED CHANGE IN THE STATUS OF THE-----POST OFFICE

We are presently reviewing the Postal Service operation, staffing and postal facilities at your post office, with special emphasis placed upon community needs and how they can best be efficiently and economically provided.

We hope to accomplish two objectives with this letter:

1. Prevent erroneous information and/or rumors by presenting our problems and alternatives to their solution.
2. Solicit your comments and suggestions on the service needed.

We are therefore considering the following alternatives on which we would appreciate your comments.

PLAN NO. 1—CONVERT TO A COMMUNITY POST OFFICE IN LIEU OF THE POST OFFICE

Community post offices are operated under a contract and can ordinarily be combined with an existing business. All postal services will continue to be provided. Under this arrangement, a community maintains its name, ZIP Code and identity by a listing in the Directory of Post Offices. A member of the community is awarded the contract as a result of bidding.

We have many communities such as yours that have and are satisfied with this type of postal services.

PLAN NO. 2—ESTABLISH DELIVERY SERVICE IN LIEU OF THE POST OFFICE

Rural carrier or star route service will be provided so that it will not be necessary for you to walk to the post office. Carriers not only deliver mail, but will accept mail for dispatch, sell stamps, money orders, etc. A change in your mailing address to (city), (state) (ZIP Code), will be required.

This is especially welcomed by elderly people and others with physical handicaps, or those where both husband and wife work. (Nearby town) was recently converted to this type of service.

PLAN NO. 3—COMBINATION OF PLANS NO 1 AND NO. 2

PLAN NO. 4—CONVERT TO NONPERSONNEL COMMUNITY POST OFFICE IN LIEU OF POST OFFICE

This service provides mail service into lockboxes, and this is performed by the rural carrier. He will remain at the unit a minimum of fifteen minutes each delivery day to conduct stamp sales and other postal needs.

As we consider the most feasible means of providing efficient and economical service, we solicit your comments, as a postal customer and taxpayer, as to which alternative will best serve your postal needs. A self-addressed envelope which requires no postage has been provided for your convenience

Enclosure.

-----  
 (Please complete and return no later than \_\_\_\_\_, 1976.)  
 The postal needs of our community will, in my opinion, be best served by  
 Plan No. ....  
 Comments:-----  
 -----  
 -----  
 -----

-----  
 (Signature of Postal Customer)

4. Before an office is closed, I understand a poll is taken in each community. How extensive is this poll?

The Postal Service does not conduct a poll. In small communities, all customers of the post office are provided a letter which outlines the alternative services that are available and they may comment on the matter if they so desire. An individual letter is provided to all general delivery, post office box, city, rural and star route delivery customers who use the official mailing address of the post office under survey.

In larger communities where it is not feasible to contact every person individually, media coverage is obtained to explain the possible change in service and interested customers are invited to comment on the matter. In addition, the local city government, Chamber of Commerce and other such organizations are personally contacted by a postal representative.

5. If the community objects to a closure, what can it do to prevent elimination of its post office? What purpose does this poll serve?

While we are sympathetic to the views of our customers, the Postal Service does not conduct a poll as such. The overriding reason for considering a change in status of an independent post office is our capability to provide equal or better service and reduce operating costs. The changes in population trends, transportation modes and the improvements in highway travel have made it impractical to continue to operate post offices which no longer are needed to provide adequate postal services to rural areas.

The customer letter is an effective means to assure they are given accurate information and the opportunity to express their views on the alternate services available. The concerns of the residents are always considered.

Often we find a majority of the customers are in favor of the proposed change or do not respond, suggesting that the alternative service proposed will meet their postal needs. However, in some cases where we encounter widespread community opposition, a further effort is made to determine why and to make provisions which will better satisfy the desires of the community.

Incidentally, General Accounting Office interviews with citizens of 32 rural communities in 28 states where the Postal Service had recently closed small offices and provided continued mail service by other means indicated that nine of every ten citizens interviewed stated that mail service was at least as good as and sometimes better than before the changes. (The Comptroller General reported these findings to the Congress on June 4, 1975.)

6. What sort of notice is given to customers before a change is made? Residents of small cities in Oregon have complained to me that no clear explanation of office closures has been made for their benefit.

In addition to the letter which fully explains the alternatives available to the customers, it is the policy of the Postal Service to provide at least 30 days advance notice to the customers at an office where a change in status has been authorized. Such notices are posted at the local post office and are also often accompanied by individual notice to customers.

7. What can be done to remedy problems with a contractor-operated community post office? Where can a customer turn for assistance with problems?

Community post offices are supervised by a nearby postmaster who continually reviews the operation of the contract unit. Any difficulties encountered by the customers served by the office can be directed to this official or any other postal manager, and any needed corrective action will be taken.

8. Should a contractor decide to discontinue the operation of a community post office, what will prevent the loss of the post office to that community?

The Postal Service will advertise for bids in communities where retention of a contract postal unit is needed. If suitable location is offered at an acceptable bid,

the community post office will be relocated and continued. However, if no responsive bids are received, delivery service by star or rural route carrier is extended to the customers.

STATEMENT OF SENATOR HUGH SCOTT  
AND SENATOR RICHARD S. SCHWEIKER  
SENATE POST OFFICE AND CIVIL SERVICE COMMITTEE

March 29, 1976

Mr. Chairman, I appreciate your giving me this opportunity to appear before the Senate Post Office and Civil Service Committee to offer my opinion regarding current Postal Service policy of closing small town post offices.

Let me emphasize from the beginning that Congress knows and the people know the huge budget deficit that will result from Postal Service operations this year. As a result of this deficit and increased costs to the postal customer, the Postal Service is attempting to save money by shutting down rural post offices.

In Pennsylvania, 89 rural post offices (one out of ten) are being studied and within a few days final closings will be announced. I have introduced legislation that would bring this policy under closer scrutiny and allow for a more open approach to a very sensitive issue. Twenty three of my colleagues have joined me in this effort in the Senate and Congressman Eshleman has introduced identical legislation

SENATOR HUGH SCOTT

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in the House. It is my strong hope that Postmaster General Bailer will heed this show of support and will halt immediately further action to close third and fourth class post offices until the Congress has thoroughly examined all pertinent legislation.

This is the only fair course to follow in order to assure that each post office closing is completely justified.

The CHAIRMAN. I also have a set of questions from Senator Abourezk from South Dakota. They will be made a part of the record.  
[The following was received for the record.]

QUESTION REQUESTED BY SENATOR ABOUREZK<sup>1</sup>

Is it true that there is a freeze on appointing new postmasters under pay-level 24, so that, whenever there is a postmaster vacancy in a 2nd, 3rd, or 4th class office, it necessarily means that somewhere along the line a post office will have to be closed?

BACKGROUND (EXCERPT FROM SENATOR ABOUREZK'S LETTER)

One of the sectional center managers told me personally and has told many South Dakotans that he has written orders that no individual who does not already have the title "postmaster" can be hired to fill a postmaster vacancy.

For example, there is a vacancy due to retirement in a 2nd-class office (Newell, South Dakota). To fill this vacancy, the Sectional Center Manager must find a postmaster from a smaller office for promotion (in this case, Vale, South Dakota). Then the smaller office (Vale) must be closed. The only other alternative for Vale would be to find a postmaster at an even smaller office to move there and close the even smaller office.

The CHAIRMAN. Now that that formal material is out of the way, perhaps we had best proceed with whatever you prefer—if you would rather make a statement first, that is fine, and then we will turn to questions.

If you want to go to questions—well, perhaps, a statement would be most in order at this time in order to lay it all out on the table.

Senator BELLMON. Mr. Chairman, before the witness begins—

The CHAIRMAN. Excuse me.

Senator Bellmon.

Senator BELLMON. If there is no objection, I would like to insert in the record a statement which I will not take the time to read.

The CHAIRMAN. Thank you very much.

I will keep the record open at this stage for other members of the committee who have notified me that they are in other sessions right now and they will have some additional things to say or to ask about. We will keep the record open at this stage for their questions as well.

Mr. Bailar.

**STATEMENT OF HON. BENJAMIN F. BAILAR, POSTMASTER GENERAL; ACCOMPANIED BY RICHARD F. GOULD, SENIOR ASSISTANT POSTMASTER GENERAL, FINANCE GROUP; WILLIAM F. BOLGER, DEPUTY POSTMASTER GENERAL; LOUIS A. COX, GENERAL COUNSEL; AND JAMES V. P. CONWAY, SENIOR ASSISTANT POSTMASTER GENERAL, EMPLOYEE AND LABOR RELATIONS GROUP**

Mr. BAILAR. I have a brief statement, Mr. Chairman, that I would like to read, and then I will be happy to answer your questions.

As you recognized, Mr. Chairman, when I appeared before the Committee 2 months ago, a major financial crisis faced the Postal Service.

I indicated at that time that the clock was running down on the Postal Service in its efforts to stabilize its finances. The clock is, of course, still running and the time for reckoning has come closer.

<sup>1</sup> See page 49.

To put my message in the simplest terms I know how: We need the kind of increased appropriations that would be authorized by S. 2844—and we need them now.

In the last 2 months, the amount of public attention given to the Postal Service has grown dramatically. People are concerned that the service they receive may suffer.

So far, Mr. Chairman, I believe that our activity has had little or no adverse effect on service.

The nationwide service standards that have been our guidelines are still very much in effect and are still being met.

But I must point out in candor that the safety margin for continuing to meet these standards has been reduced. While nationwide service has not yet been damaged, we have moved closer to the point where it may be.

The point I would stress is that this has not occurred by choice, but out of necessity.

Cost-cutting has been, and is, the one and only course open to us to try to prevent the Postal Service from slipping into insolvency, with all the dire consequences that would bring. I say this because of the all too obvious lack of progress on increased funding and the undesirability of further rate increases.

Mr. Chairman, the Postal Service is fully capable and willing to provide any level of service the American people desire. But our hands are currently tied by a debt that threatens to increase to \$3 billion by the end of this fiscal year.

In attempting to meet our responsibilities in the best way possible, we cannot ignore this debt, because if it continues to grow it threatens the most damaging blow to service of all.

Increasingly, Mr. Chairman, we find ourselves in a situation where, on the one hand, our cost-cutting measures are strongly opposed while, on the other hand, our repeated request for additional public funding—funding we desperately need to avoid service reductions—have not produced any action.

Postponing necessary financial assistance until the last possible minute might be dramatic. But this irresponsible approach might also produce a postal system so weakened that last-minute aid cannot prevent lasting damage.

I think it is generally accepted that there are three options available to prevent this catastrophe—accelerated cost-cutting, higher postal rates and increased subsidy.

The decision as to the balance to be struck between these elements is a matter of public policymaking that must be led by Congress and the administration. The need for this policy reexamination is made all the more urgent by our studies of the system, which show that the current problems are not temporary aberrations, but symptoms of fundamental problems. The country's mail needs are changing, as I pointed out in my January testimony, and unless the system is adapted to meet these changes, the system will be in constant need of emergency attention.

S. 2844, in my opinion, deals with both the short-term need for financial aid and long-range aspects of the postal problem.

By providing a temporary increase in appropriations, the bill would help us overcome our current financial impasse and lessen the immediate pressure to curtail some aspects of service.

And through the establishment of a commission to study the public service functions of the Postal Service, the bill would set up a mechanism to develop a reasoned new definition of public services and a provision for paying for them.

Mr. Chairman, I appreciate your efforts and the efforts of this committee to help. I feel assured that out of this hearing will come the basis of the constructive effort needed to deal with this crisis.

I welcome your questions.

#### CLOSING OF RURAL POST OFFICES

The CHAIRMAN. In my statement that I made in the Senate a week ago, a little over a week ago now, March 18 to be exact, I raised the problem that your recent statements have created for us, statements at least that have been interpreted as preempting policy judgments—regarding closing of rural post offices as the case in point or Saturday deliveries—as a decision that would be carried out under your mandate.

And my question to you is, what is the status of those announced closings that you made publicly?

Mr. BAILAR. Well, Mr. Chairman, as you know, last November, we changed the policy dealing with closing post offices. We have gone to court to defend the changes. In our opinion, we are well within the provisions of the law. It is presently before the court.

The court has required us to conduct whatever closing we do make in strict accordance with our changed rules. And whether those rules are in compliance with the law is something that the court will finally rule on soon, I hope.

#### CUTBACK OF SERVICE

As to the cutbacks from twice a day to once a day in business districts in 10 cities in the Northeast, that has been done.

The CHAIRMAN. Those have now been put in force?

Mr. BAILAR. They received twice-a-day deliveries last Friday, and they are getting once-a-day deliveries as of today.

As to the Saturday delivery question which you raised, there has been no decision on that, Senator. We recognize the terms of the law are very clear in that connection, and we would comply with them in every way. Specifically if there were a decision that this was something that we should do, we would go to the Postal Rate Commission for an advisory opinion, which is the mechanism that the law provides.

The CHAIRMAN. Can you give us here this morning the assurances that there will be no additional cutbacks in service until the pending legislative process is complete?

Mr. BAILAR. I do not think I can, Senator. I would like to have some indication of how long you think the legislative process would take.

We do not have anything else planned now, but the legislative process that you refer to has been going on since last summer. And I have been very discouraged, and perhaps a little bit frightened, by the lack of the progress, because we need the money badly.

The CHAIRMAN. Let me put the question another way.

You have no additional cutbacks in mind now from your viewpoint at the Department, but when would that time run out, the time that we may have in the Congress to make whatever legislative adjustments in our wisdom the situation may call for?

Mr. BAILAR. Senator, I think it is a combination of several things.

Progress on the legislative front; the attitude on the part of the administration, which is a major part of my pessimism on the availability of money, what the inflation does to us and whether things get dramatically worse in the next few months, which I do not perceive, and what happens to our volume. So it is a mix of a number of things.

The CHAIRMAN. Suppose we end up in a legislative logjam here of some sort. It would not be the first time. I am trying to be realistic myself.

We have no intentions to delay here in this committee, but I am trying to pin down the implications of your statement, the kind of time factor we may have, or to examine exactly what we are up against.

Suppose the administration becomes no more attentive than it has been, which is nil, and the Congress is delayed in this legislative process, and you are stuck with this fact, and the White House is unresponsive, what time factor are you talking about before you would believe that you would have to institute further cutbacks?

Mr. BAILAR. I think, Senator, something in the order of a few months; 2, 3, or 4 months.

I indicated in my statement, Senator, that time is running out on us. We need the money and we need it now.

#### ESTIMATE OF INSOLVENCY WITHIN 1 YEAR

We have the capacity of being effectively rendered insolvent within the course of a year if the Treasury were ever to choose not to loan us any more money from the Federal Financing Bank, or to force us to use up the rather limited right that we have to require the Treasury to purchase our obligatory—if that were ever to happen, the deadline is something like a year away.

Seeing that kind of schedule looming ahead and recognizing that we could be rendered insolvent that quickly, I do not think I would have any choice as a responsible man. Charged with the provisions of the law, which include breaking even as well as rendering good service. I do not think any one provision of that law is to the exclusion of others. I do not think I would have any choice but to do absolutely everything possible to retain the solvency of the Postal Service, and I assure you I would not hesitate for a minute to do it. I would hate to do it but I would feel I would have to.

The CHAIRMAN. In what priority would you place the two mandates you just referred to, providing service and balancing your fiscal program?

Mr. BAILAR. Providing service is clearly first. It is what we have got to provide to the people. It is a thing any responsible manager would choose to do.

I would have to point out to you that we have now got something on the order of \$3 billion deficit. We expect to lose money again next year. And our ability to render that service would be nil if we were insolvent.

The CHAIRMAN. If we acknowledge here the possibility of your achieving insolvency without some other kind of emergency support would it be fair to summarize that if there were inaction at the White House level, where we received nothing—and I may add, in this committee in the past several months that we have had very difficult

times getting a commitment from the Director of the Office of Management and Budget, and his only commitment now is that he is the man—we find it difficult to find him—that you could hang on without further announced cutbacks, or at least the balance of the year without ending up with a cash flow shortage that would epitomize bankruptcy?

Mr. BAILAR. Well, as I understand the question, it is one of whether we have got another year left.

The CHAIRMAN. Whether you have several months.

Mr. BAILAR. Yes; we do. But I do not think we ought to sit here and ignore the worsening financial condition because we have several months, Senator.

Mr. Lynn has testified, I know, before the House Appropriations Committee and, I think, before this committee, that they would never allow us to go out of business. Right now, the Postal Service still has enough cash to meet its bills.

Well, I do not think we can operate on the basis of when we get right up to the precipice, somebody will be there to bail us out. First off, they might not be. And, second, as I indicated in my statement, we might be faced with some decisions, some perhaps hasty and ill-considered decisions.

I just think it would be irresponsible for me to allow things to continue as usual until we run out of cash.

The CHAIRMAN. The pending legislation before this committee, of course, would address itself directly to the immediacy of the deficit problem which, as we understand it, was explained by you and further reflected in the GAO report after your testimony, largely the result of inflationary forces, both in cost of living, in fuel, heat, this sort of thing.

Do I summarize that accurately?

Mr. BAILAR. Well, I think it is that and a couple of other problems as well, Senator.

Inflation has clearly been a large problem that none of us had anticipated to the degree it happened.

In addition to that, we had a slow and cumbersome ratemaking process that has cost us a good deal in our inability to keep our rates in step with our costs. And, lastly, I would point out that the support the Postal Service has received through appropriations has declined steadily as a percent of our budget since the last year of the Post Office Department when it was 24 percent, and it is now down to about 12, and next year it will be under 10.

As you phase out the appropriated support, there is more left to be made up through rates, and that contributes to the disproportionate rate increases.

The CHAIRMAN. That points up the key role of the commission established by this bill to give us more than just an educated guess on what the public service factor cost is in the annual operation of the Postal Service.

Mr. BAILAR. Senator, I think the most important part of the bill—well, the two things that I think of as principal are both critical, and one is we have to have the money to restore our financial health. We face staggering deficits, and we need, if you will, to be put back on our financial feet.

Over the long haul, I think we need to have a definition that clarifies those things which we do that should be treated as public services, and they ought to be paid for as such.

I have no assurance at all that \$920 million is the right number for that amount.

Some people might think it is too much. Some might think it is too little. I think we ought to define what are those public services and pay for them accordingly.

I think the Postal Service can and must take the rest of its costs and do its business in an efficient enough way to compete with whatever alternatives that are available. But we cannot compete in that way if we are loaded with a number of noneconomic costs.

I think that commission is critical to the bill.

The CHAIRMAN. How many rural post offices have you closed in the last year?

Mr. BAILAR. Less than 200. It is about 190—something in that order.

#### MINUSCULE SAVINGS

The CHAIRMAN. How much did that save you?

Mr. BAILAR. A very small sum, about \$2 million. Let me put that number in perspective for you.

The CHAIRMAN. \$2 million?

Mr. BAILAR. \$2 million.

The Post Office Department, in its last 5 years of existence, closed an average of about 320 offices per year. The Postal Service in the years since then has averaged about 298 offices per year, basically the same amount, a nominal reduction.

The Postal Service so far this year has closed, I think, 186 offices.

The CHAIRMAN. This year, you are speaking of fiscal year?

Mr. BAILAR. Current fiscal year. 186, they tell me.

The CHAIRMAN. At a saving of \$2 million?

Mr. BAILAR. Yes.

The CHAIRMAN. What number of rural post offices are you looking at down the road that you are preparing to close?

Mr. BAILAR. We have not made decisions on them, Senator. We are looking at something on the order of a thousand offices now.

The CHAIRMAN. A thousand?

Mr. BAILAR. They are not all rural offices, I may add.

The CHAIRMAN. If you were to close the 1,000 what would be the savings?

Mr. BAILAR. They would be on the order of \$10 million. Average about \$10,000 apiece.

The CHAIRMAN. You already announced the reduction of business deliveries in the 10 or 12 Eastern cities.

Mr. BAILAR. Ten from twice a day to once, and one additional city from three times to twice a day, in New York.

The CHAIRMAN. What is the savings?

Mr. BAILAR. About \$4 million a year.

The CHAIRMAN. \$4 million?

Mr. BAILAR. Yes, sir.

The CHAIRMAN. You have cut back no Saturday delivery?

Mr. BAILAR. No, sir, there has been no decision on that.

The CHAIRMAN. If I may observe, sir, having just come in from Main Street after an extended run out there, everybody's post office is about to be closed, or they think it is.

Mr. BAILAR. Yes, sir, I found that out.

The CHAIRMAN. Or their service is about to be cut back if it has not already been cut back, and this is more than troubling the public's state of mind. It is a resentful, rebellious state of mind.

I was looking at the price in relation to the saving.

As I gathered it from your announced closings to date, your savings, reasonably close projection, would amount to about \$6 million as of now without the 1,000 new post offices or other post offices that you are having a look at at the present time.

Six million dollars in what? Annual budget of \$13 billion or \$14 billion, is it not?

Mr. BAILAR. \$14 billion.

The CHAIRMAN. \$14 billion.

One of my mathematical wizards up here has projected that into how long that would run the Post Office, and he tells me it is about 9 minutes. And the real question I am raising with you is, what sort of policy is this that is worsening the public image of the Postal Service, turning it negatively in a very extreme way, not to mention the impact it has had upon our colleagues here on the Hill?

You think you catch hell. You ought to serve on a committee on the Congress here that has 535 Postmasters General in its ranks, and it begins to look ridiculous in terms of the savings.

We know what that dimension is. The real question we raise is the cost in antisentiment—the cost of realizing so small a saving from these cutbacks.

Mr. BAILAR. Senator, we have done several other things in the way of cost reduction besides the ones you mentioned.

We have identified about 1,000 employees who we think can be moved from one office to another where they would be needed more, which would have an annual reduction of \$15 million if we accomplished that.

I would hope we could go further than that. We have reduced our overtime by an amount of about \$27 million. We have reduced employment by 20,000 in the last year, which would have an annual effect of \$260 million a year.

All these items together add up to less than \$500 million. There is just no question in my mind that cost savings are not the sole answer to the financial problems of the Postal Service.

As was developed in a colloquy between the two of us on the 27th of January, this type of program is not going to do the whole job. It still leaves us with a need for a rate increase or appropriation.

However, I would point out to you that in the circumstances we are in, I feel that we are obligated to look for every dollar we can find. I would submit to you that much of the problem that the small office closing has been generated by postmasters who are deeply concerned about it, and I do not think any postmaster is any more concerned about small office closing than a letter carrier or clerk is concerned about having to move from one office to another.

Small office closing may be a more visible issue, but I think the things we are doing are of concern to all postal employees, and they are, frankly, steps being taken because we have no choice.

The CHAIRMAN. I realize the time factor being the severe one that it is, and the loss factor being the considerable one that it is has great heat on you.

What I am calling into question now is in the tactic which, at the very most, had to be cosmetic in the closure of a category of post offices, a symbolic category of post offices, at a savings of \$2 million, and the cutting back of business deliveries at a savings of \$4 million, that together constitute but a bit of minutia in the larger financial picture, that to harvest from it the avalanche of protests that may have set us back 5 to 10 years. If this moves the whole system back into the lap of Congress, we are back in square one from 5 or 6 years ago. And that we can do without.

That is the reason that I really question the judgment of preempting that kind of a policy decision with no more significance in terms of addressing itself to the financial problem that, God knows, is there.

Now, your other cutbacks that are efficiency cutbacks that are tightening cutbacks in other ways that do proceed to the \$500 million figure, your shifting of surplus personnel, the depletion of the numbers on the rolls through attrition, and other corners that you have cut, do make constructive sense. And they would not trigger the kind of explosion that has occurred, both on Main Street and in the halls of the Congress that certainly have been counterproductive.

It would seem to me to be worth reminding that the broadest of the policy questions in terms of levels of service are indeed under the law prerogatives of the Congress, and that the Congress will have to face the financial implications given service levels.

Mr. BAILAR. Senator, I am confident in my own mind that the things which we are doing are in compliance with existing law under which we are operating. I would point out to you something that I am sure is very obvious to all of us, that whether a move is a service cutback or efficiency improvement is to a large degree in the eye of the beholder.

If you have three city letter carriers serving an area in a large city and consolidate to two routes, I may call that efficiency, and somebody that lives in the rural area may call it efficiency, but those letter carriers and people who get their mail at 3 o'clock instead of 11 o'clock say they are getting worse service.

The General Accounting Office went out and talked directly to people served by 32 different offices in 28 States about the small office closing issue. They said that 65 percent of the respondents felt that the new service, that is rural letter carrier, was equal to the former service. Twenty-six percent of them thought it was better, and 9 percent of them thought it was worse.

I feel very strongly that we are complying with the mandate of the law in providing people with good service, and I recognize the dollars involved that rural office closings are not major. I do not know of any one place to go and look for hundreds of millions of dollars except for things that would draw a great deal more attention, such as cutback from 6 days to 5.

I think the only way I can approach our financial situation is to look in every corner for every savings imaginable.

I understand the concern this has caused to a lot of people, including members of this committee, and I regret that.

But we have reached the point, Senator, where our financial needs are so pressing that I really do not feel I have any responsible choice.

The CHAIRMAN. Well, I appreciate the bind you are in.

What I am calling into question was the management judgment as a tactic which may cost us many times more than the miniscule saving. It is the kind of public judgment that I think was not reposed in the lap of the Postmaster General or postal management. The money-losing functions of Postal Service are very considerable to begin with, no matter how it is run. The rural post office loses money, but underpinning and basic to it was one of the original concepts of postal service that we think is still very much alive and will continue to be alive, and that is that no community, no individual is to be penalized because of his geographic location. The feeling is very strong that the penalty has already been introduced, and talk of another thousand closings extend that feeling and deepens the anger over it.

And at a savings that is not ever going to inch—even inch—toward the financial problem that you are confronted with.

It would seem to me it would be much wiser, Mr. Postmaster General, if we were addressing ourselves to the big chunks of money that we have to find, but you are not acquiring a big chunk in the scare tactic of closing rural post offices in order to bail us out of our economic binds. That is really what it boils down to.

What you have done is to incite people to alarm rather than to inspire confidence. You have made an enforce management decision to try to save money, but you are not going to achieve it by saving nickels and dimes. It would seem to me we ought to be aiming at the biggies. We ought to be aiming at the crunch of this. And the crunch of it still, even adding all the splendid things that you may have done, in terms of cutting corners and tightening the operation, and those have been commendable, you still are a long, long way short of meeting the financial problem.

Therefore, it seems to me that our focus ought to be not in announcement of rural closings or business mailings cutbacks, but rather at the assessment of what this public interest is, the dimension of what the inflationary factor is in the Postal Service's indebtedness, and do what this bill proposes to do.

We had hoped we were moving along very well in trying to achieve a sense of response and responsibility in the pending bill before this committee. The Postal Service would pick up very quickly the three \$1.5 billion increments in the next 3 years, the projected postal debt in that interval of time, including the existing debt of \$3 billion, and that we would have the report back from this Commission on Postal Service on what the public service factor ought to be.

It is tough to get that appropriation authorization adopted even as it is. But this committee is sweating out trying to push this along as the constructive way to help the post office, to save the post office, and to educate the people. We think we have slipped back six or eight steps with your symbolic cutbacks that have almost no substantive savings to report and that we are worse off today in

terms of getting close to the kind of bill being adopted that we are talking about here, that you believe is a good bill, that we think is a sound approach.

I am simply trying to say that this committee would find it very difficult to accept any further announcements of service cutbacks in the midst of our trying to come to grips with the mammoth dimensions of the post office problem and try to be responsible about it.

It is as elementary as that.

I want to turn to the other members of the committee, and then I will be back with some more questions.

Senator Fong.

Senator FONG. Mr. Postmaster, you have a tough job. You have a big operation. You have had a tongue lashing from the chairman. I am not going to follow his line.

I wish to say here, as ranking minority member, that you are a professional manager. If you do not do what a professional manager should do, you will not get help from me as far as subsidy goes. I know there is a large group of Senators who want you to play the part of a professional manager, and if you have done all you can do to try to cut down expenses and make the post office as efficient as you can make it, as any professional manager would, then I think you would get help from this group of Senators.

Now, you have done what you think is proper. You have said that you have worked within the framework of the law that we have passed. That is true, is it not?

Mr. BAILAR. In my judgment, it is, yes. We are being challenged in court on that.

Senator FONG. You have been challenged. You let the court decide as to whether you have exceeded the law or whether you have not exceeded the law?

Mr. BAILAR. Yes, sir.

Senator FONG. But everything you have done, you have followed the law?

Mr. BAILAR. I think the court——

Senator FONG. I, for one, want to commend you for following the law.

Mr. BAILAR. Thank you.

Senator FONG. You are confronted with lessening revenues, you are confronted with tremendous expenses, and you have got to cut.

From your testimony here, you have cut expenditures a half billion dollars, is that correct?

#### TWENTY THOUSAND EMPLOYEE REDUCTION IN PAST YEAR

Mr. BAILAR. It is something less than that. It is in that order of magnitude, yes, sir. Most of it has been accomplished just through general reduction in payroll and attrition over the course of the past year.

Our payroll has gone down about 20,000 people in the past year.

Senator FONG. I do not think the administration is going to let you down, and I will not let you down because I think you have done a good job. You have done what you should have done, following what the law has told you to do. You have tried to be efficient and

to save where you could save. This is why we have set up the Postal Service. We have insulated you from politics. We have given you a board of directors that will tell you what to do.

But the Congress still refuses to recognize the fact that you are a corporate entity and that you are somewhat detached from politics, and that they still want to exert their influence upon you.

I want to commend you for the strong stands you have taken in spite of the tremendous political pressures that have been put upon you.

Mr. BAILAR. Thank you.

Senator FONG. You have a Board of Governors. I would like to see a little more input from the Board of Governors.

You have been the lone voice as far as the post office is concerned. I have not heard from a single member of the Board of Governors telling us how bad the situation is and what has to be done.

Mr. BAILAR. As I am sure you know, the Board of Governors are—well, generally, they are not residents of Washington, and they meet once a month.

But I can assure you that all the programs we are following and the general need to pursue cost-cutting matters are discussed thoroughly with the Board on frequent occasions, and I am the spokesman—

Senator FONG. You are the spokesman.

Mr. BAILAR. They are in there, and they are just as aware of the problems as I am.

Senator FONG. I think it would not hurt for the Board to be issuing some kind of bulletins from time to time, and for each individual member to be voicing his opinion as to what should be done and what should not be done. I think the Board should not be afraid to be saying things contrary to what has been said in the Congress. I think it will be helpful so that the public would get an understanding of what the whole problem is. I do not think the public has as yet an understanding of how critical this problem is, and I am quite sure that after these hearings you will be able to get some help from the group that thinks along the same lines as you.

I would hesitate really to give you a subsidy without knowing what that subsidy will do. I would hesitate to give you a subsidy which you have asked for without knowing whether that is the kind of subsidy you need.

And not knowing what the public service portion of our expenditure is, it is a little difficult for me to see what my vote would be as to the amount of that subsidy.

You have asked for a 10-percent subsidy of the present budget, is that correct?

#### ADDITIONAL \$920 MILLION A YEAR NEEDED

Mr. BAILAR. I have indicated that we need an additional \$920 million a year. I think Senator McGee's bill is 10 percent, which is a little bit larger.

Senator FONG. A little bit larger than what you have?

Mr. BAILAR. A little bit larger than what I have been talking about, but the order of magnitude is the same.

Senator FONG. If you secure that amount of money as far as the Federal subsidy is concerned, do you think that you will be able to bring the Post Office to a balanced budget?

Mr. BAILAR. On a temporary basis, yes. I think the provision for a study commission is a critical part of that bill because many of the problems which have caused the Postal Service to find itself in the condition that we are in would not be cured just by temporary infusion of more funds.

The problems could very well, and I think, would go on, so we need some funds to get us back on our financial feet, in effect to overcome the staggering deficits that we face.

We find ourselves now confronting a negative equity, Senator, of \$1.3 billion by the end of this fiscal year.

Senator FONG. As of today?

Mr. BAILAR. At the end of this fiscal year.

Senator FONG. \$1.3 billion?

Mr. BAILAR. \$1.3 billion negative. It is \$1.7 billion positive at the start of fiscal 1972, so it has deteriorated to the tune of \$3 billion. We need to get back into a position with some working capital where we can operate without doing so on borrowed funds and just digging the hole deeper and deeper.

If we borrow funds, we both have to repay the debt and we have to pay interest on it, and it is just a spiral and it gets worse.

But going beyond that, I think we need to have some kind of a commission to look at the public service functions of the Postal Service on a permanent basis, and say these things ought to be funded outside the postal rate structure.

If we continue to provide, for lack of better terminology, "non-economic" services and put them into postal rate structure, whether it is more frequent delivery than might be required by mail users or provided by some of our competitors, or the maintenance of small post offices which are not necessary to the distribution of the mail, if we provide those services and put those costs into our rates, the people who are presently using the Postal Service will say: "I can get that service cheaper from somebody who does not have those costs." And we will see the same thing happen to second- and third-class mail in the next 10 years that has happened to parcel post in the last 10, and I think that would be a bad mistake.

That is why I think we need a study commission as well as money. The money is a temporary step, Senator, until there can be some definition of what the public services ought to be and how they ought to be paid for.

Senator FONG. What do you think is the public service portion of your expenditure?

Mr. BAILAR. I do not know. I think it's a matter that is extremely political, and I mean that with a lowercase "p." I do not mean partisan political.

But the question is what should the Postal Service do that a private organization would not do?

#### 40,000 POST OFFICES

The United Parcel Service effectively covers this country with 1,000 terminals. The Postal Service has about 40,000 locations. They are not analogous situations by any means. Our operation and United Parcel are not analogous, but they are not different to the tune of 40 to 1 either.

We deliver mail 6 days a week. Private competitors deliver 2 and 3 days a week.

I think there has to be some determination of just what levels of postal services can be justified by the economics of the materials handling and distribution functions of the Postal Service, whether it is 2 days a week or 10,000 post offices, and the rest of it. If we want higher levels of services than those that can be justified for social reasons or for the reasons of economically creating jobs or whatever they might be, the uneconomic costs ought to be taken out of the postal rate structure or else they will strangle the Postal Service, they will ruin the Postal Service.

Senator FONG. I know what you mean when you say your competitors do not give the service that you give.

I remember when we had a strike in Honolulu of the Honolulu Rapid Transit. The jitneys started operating, but they operated only the beautiful routes that brought in the money. They did not go into the hills or into the country. And this is the way your competitor is operating, is it not?

Mr. BAILAR. Yes.

In fact, they sometimes bring parcels down to the post office if they are going to remote locations and give them to us to deliver.

Senator FONG. So the ones they do not make money on, they let you deliver?

Mr. BAILAR. We have cases in which our private competitors will bring parcels which are addressed to remote locations to the post office and pay the postage charges because it is cheaper than driving out to that remote location. I tell you last summer I was on a television program, and I was ready to use this example, and I called one of my associates on a Saturday night. It turned out he was at a convention, a State convention of postmasters.

I told him that I wanted to talk personally to some postmasters who could say, by golly, they bring those packages into our office to mail them instead of delivering them. I have notes back in my office—I did not bring them this morning—but I talked to postmasters who said: "It goes on in my office."

I am not talking about isolated examples. I know it goes on. And that is not bad. We like the business. But the services that private competitors provide are not analogous with the Postal Service.

When we provide so much more service, we have got to find some way to equate our rates to these private competitors, or we are going to lose all the business. We are going to lose advertising circulars to nonmail competition newspaper stuffers, or radio or TV, or what have you. We are going to lose newspapers and magazines in big cities where Time, Newsweek, and The Wall Street Journal are already experimenting with private delivery.

If we do not do something about separating out these, for lack of a better term, noneconomic services, they are going to kill the Postal Service.

The CHAIRMAN. That is still good business on their part. If they are going to lose money, get the post office to carry it, and let them lose the money.

Mr. BAILAR. I do not fault them. I think it is an interesting commentary on how things are operating.

Senator FONG. A fact that they only take lucrative routes and give you the nonlucrative routes, that is how you are going to get into trouble?

Mr. BAILAR. That is what will happen, and that is what we see happening right now, in the distribution of Time, Newsweek and the Wall Street Journal. They are not experimenting in Senator McGee's or Senator Bellmon's State, or even in your State. They are working in high density urban areas where a private delivery system can operate, in effect skim off the cream, the best of our business, and leave us with more expensive business.

Senator FONG. That is why it is so necessary to really set this public service percentage in your budget.

Mr. BAILAR. You bet.

Senator FONG. And without that, you just will not be able to operate, is that correct?

Mr. BAILAR. Without that, the funds we need so badly, and which I hope will be provided by S. 2844, would only be a temporary solution to the problem. And 2 or 3 years later, we would be back here with the same problem all over again.

Senator FONG. It is up to the Congress to decide how much public service we have to give.

Mr. BAILAR. Yes, sir.

Senator FONG. And then you can operate?

Mr. BAILAR. Yes, sir.

The CHAIRMAN. Would you modify that by saying it is not how much public service we have to give, they have all decided that—they want everything—it is how much we are willing to pay for.

Senator FONG. That is almost analogous.

The CHAIRMAN. That is our problem. It has not been analogous.

Senator FONG. When you get into a debate in Congress—

The CHAIRMAN. Well, yours is the better statement. I think it is better by paying for it.

Senator FONG. Then we have to decide once and for all what that public service is and how far we will go to give that public service.

Mr. BAILAR. If I understand correctly, Senator, there is a commission established by S. 2844 which would, in effect, study this and make a report. Then it would be up to Congress and the administration to pass into law some provision for both defining the public or nonpublic postal services, and how they would pay for it.

Senator FONG. When is that report due?

Mr. BAILAR. I think it is 2 years.

The CHAIRMAN. Two years.

Senator FONG. What you are asking now is temporary relief for 2 years, is that correct?

Mr. BAILAR. Well, the money that is in S. 2844, the money that I have requested is, in effect, a temporary solution, a badly needed one to allow us to operate, if you will, on a sound financial basis while that study runs its course.

Senator FONG. Do you anticipate asking for increases in the postal rates during this time?

Mr. BAILAR. I think it would depend, Senator, on the amount of money that is finally appropriated, and the course of inflation. As I understand it, and I would have to give you a precise answer for the

record, the amount of money which S. 2844 would include annually is only about half of the deficit that we have already incurred.

So I think the question becomes more one of what kind of financial situation do we see ahead?

Right now, we are operating near a break-even basis, in the last 2 months, since the rate increase. We have lost a little money, but they are low-volume months. I would say that we would probably need a rate increase, unless we were just going to turn around and dissipate the financial infusion that is included in this bill.

If we get the money from S. 2844, it would put us into a sound financial condition. If we did not raise rates, we would immediately slide back into the boat we are in now.

Senator FONG. If you got that money, you would be on a sound financial basis?

Mr. BAILAR. Yes; we would be on a sound basis for the immediate future. And we are currently operating near a break-even level.

The question is where do we go from here in terms of inflation and so on, and how well we will be able—

#### DECLINING VOLUME

Senator FONG. Can you foresee your volume and your income?

Mr. BAILAR. I think the volume is probably going to continue to decline. The thing I have difficulty foreseeing is the rate of inflation. I am not trying to be anything less than communicative with you, but I remember full well in 1972 and 1973, nobody anticipated the kind of problems we were going to have with inflation. They just played havoc with the Postal Service as they did with many other organizations.

The CHAIRMAN. The whole country.

But you were in a unique situation, you were in a prison. You could not follow business practice and just raise prices.

Senator FONG. When we get this bill on the floor, whatever the bill is, we are going to have these fellows ask us questions. I was just wondering whether you could really give us some projections?

Mr. BAILAR. I will be happy to work out some precise projections for you, Senator. I would prefer not to make any guesses sitting here at this table.

Right now I would say that I think that our financial condition, I am hopeful, will allow us to go into 1977 before we have to talk about higher rates. And I expect it will.

The CHAIRMAN. After the 3rd of November, 1976?

Senator FONG. If you could give us some kind of projection, based upon various alternatives, various estimates, I think it would be very helpful for us.

Mr. BAILAR. In a nutshell, I can tell you this. If we got the money that is provided by S. 2844, it would eliminate our need to borrow to meet operating expenses in the near future. We would not have any near-term difficulty operating on that basis.

Then the question is, what happens to our ability to stay current while going down the road into 1977 and 1978.

Senator FONG. Have you sat down with the OMB and showed them what you have done?

Mr. BAILAR. Well, not in recent months, I have not, Senator.

I have going way back to last fall, and some of people who worked with me did so about the same time.

NO RESPONSE FROM OMB

Senator FONG. Do you not think it would be helpful if you—maybe I should rephrase that question—have they been willing to sit down with you?

Mr. BAILAR. No, sir.

Senator FONG. Did you request them?

Mr. BAILAR. Yes, sir, repeatedly.

Senator FONG. When was the last time you requested it?

Mr. BAILAR. Six times during the month of January.

Senator FONG. January?

Mr. BAILAR. Yes, sir.

Senator, I do not mean to suggest that I have not tried to talk to them for 2 months, although after making six attempts in 1 month without the courtesy of having your phone calls returned, you get a little tired of trying.

Senator FONG. Maybe you should write them a letter.

Mr. BAILAR. I have tried that, too, Senator, to no avail, I might add. I sent a copy of the speech at the Economic Club at Detroit over and got no response.

I sent a request for supplemental appropriations over and got no response.

They did not tell me to go jump in a lake or they would grant the request or anything else.

Senator FONG. Well, with the biggest corporation in the Government doing a \$14 billion annual business, I think OMB has a duty to really sit down with you and discuss this problem.

Mr. BAILAR. I could not agree with you more, Senator, and I have to tell you that their inaccessibility and attitudes are both discouraging and extremely irritating.

Senator FONG. I hope OMB will listen to you, and I hope you can now frame a letter saying what you have done and what the prospects of savings are.

Mr. BAILAR. I think they know what we have done, Senator, and they want to stay as far away from it as they can.

Senator FONG. I think the moment of truth is here.

Mr. BAILAR. I know it is here. They have made every attempt to avoid any contact with the Postal Service, to avoid taking responsibility for participating or contributing to the type of decisions we have had to make, and to avoid contributing to a Federal deficit by endorsing additional money.

I find their attitude—well, I will not characterize it.

Senator FONG. I think the chairman will join me in saying we would like to see the OMB sit down with you and discuss this.

The CHAIRMAN. We had OMB before the committee in February and received those assurances. But each time we got the assurance, some guy that was designated was moved to some other phase of Government. And I think it was the old shell game, where you guessed under which shell the guy was supposed to be, that you were supposed to talk to. Now, currently, the guy we talk to is James Lynn.

But you tell us they have not responded to you, and I say to you they have not responded to us. So welcome to the club.

Mr. BAILAR. In answer to Senator Fong's comments, it is a sad situation when the chairman and ranking minority member of this committee and the Postmaster General have to have a public discussion like this if we are to have any hope of getting OMB in on the sort of problem we have got.

Senator FONG. I think probably OMB just wanted to see what you could do. I wanted to see what you could do. I have sat in a neutral position up to now, and now that I have heard what you have done, well, I think it is about time for us to step in and help.

Mr. BAILAR. I appreciate that.

Senator FONG. I think OMB probably may have the same attitude. Why do you not try them again?

Mr. BAILAR. I will. I sent them a request for supplemental appropriation 2 weeks ago. I sent that one in the mail, I might add.

The CHAIRMAN. Could Senator Fong and I and all the committee members, but at least Senator Fong and me, would we be of any help in that, do you suppose?

Mr. BAILAR. I do not know. I am sure you could try to help if you would like. I welcome that.

Whether it would accomplish any purpose—

The CHAIRMAN. The other way around, could you help us get to see the OMB?

I gather that that is the blind leading the blind at the moment. We are frustrated.

Senator FONG. Maybe you could help, and we will make this a cooperative effort.

The CHAIRMAN. We will try.

Senator FONG. We will work something out. I hope you will be able to try it out. I will see what I can do. Thank you.

The CHAIRMAN. Senator Bellmon.

Senator BELLMON. Thank you, Mr. Chairman.

I have listened with great interest to the questions and responses, Mr. Bailar.

I would like to begin with the assumption on this Committee that the Postal Service is necessary. We have got to have the Postal Service in this country. What we are really after is better service at less cost. The question is, how do we get there?

It is obvious, I do not think anybody doubts this, some subsidy is needed. The cost of the service keeps going up and up, and as it goes up, you lose more of your patrons, and the cost of those that remain gets to an unbearable level sooner or later.

Mr. BAILAR. As I indicated earlier, the percentage of our funds that comes from appropriations has been declining sharply in the last 4 or 5 years.

Senator BELLMON. Do you feel this level of 10 percent is the right level?

How did you come to that conclusion?

Mr. BAILAR. I do not have any feeling that it is the right level. I think it is the level that would be required by historical patterns of providing postal service, and I think it is enough to get us by for a couple or 3 years until there is a proper discussion of what the level

ought to be, what public services ought to be, and how they ought to be funded.

Senator BELLMON. As I read S. 2844, it does not provide any means of getting you that level, does it?

It sets up this Commission to study the problem, but I cannot see that this Commission can do anything that your Board of Governors cannot do.

Mr. BAILAR. I think the thing that would happen would be that the Commission's report, in effect, would be available to the Congress as a basis for some legislation.

Senator BELLMON. Why cannot your present Board of Governors give us a report on what needs to be done to provide a permanent level of subsidy?

Mr. BAILAR. I think the Board of Governors can do that, Senator.

I think that dealing with the issue that we have got here, we need a broader base than the Board of Governors would have, and the provisions of S. 2844, I think, provides for some people on that Commission to be appointed by the Congress as well as the administration.

Senator BELLMON. It provides one by the President of the Senate and one by the Speaker of the House and one by the Postmaster General.

The CHAIRMAN. Would the Senator yield on that?

Senator BELLMON. Yes.

The CHAIRMAN. Let me inject this into the record.

When the reorganization bill was written, the Senate had in its version of the bill a 10 percent of the current year estimate, but that was only an estimate, because we said at the time we did not know for sure, but we had to start somewhere. And we hope we would get some experience.

The House did not like the 10 percent of the current year concept. One of the compromises we made was to freeze the figure at 10 percent of the year 1971. That is what \$920 million figure is now, but for 1975 that is almost half out of date due to inflationary factors, if nothing else.

That is the reason we felt, since we did not know for sure that 10 percent was the magic number, that there ought to be a professional effort of trying to estimate that, and the GAO finally agreed with that position. That was their ultimate recommendation.

So that is the reason for the Commission.

Senator BELLMON. Then the responsibility of the Commission would be to come back to the Congress saying the Postal Service needs 10 to 12 percent increase.

The CHAIRMAN. That the public service factor would be that much.

Senator BELLMON. Do you have a reason why the Board of Governors would not do this? I do not think the Commission would do anything.

The CHAIRMAN. The Board of Governors has been elected to one post, that is they are like the board of some corporation.

It could be that they do not have a sense of the great public service factor. That is the reason we felt, I think, the Postmaster General is exactly right, that you need a much broader perspective than the Board with its wisdom could inject. It ought to be on a very broadly based study.

Senator BELLMON. Thank you, Mr. Chairman.

Mr. Postmaster General, I notice on page three of the bill there is language that would at least seem to outlaw cluster boxes, because it would put too many communities only where the local officials have approved such boxes.

Is this desirable?

Mr. BAILAR. Not in my judgment, it is not. I think the effect of that would be to foreclose to us one of the avenues for more efficient delivery in the future than we have had in the past, but I am aware of the fact that there are a lot of people that differ with me on whether that is desirable.

Senator BELLMON. I wonder if you have a figure as to how much the cluster box concept may ultimately save the Postal Service?

Mr. BAILAR. Well, the only figures that come to my mind, Senator, are 5-year projections that would involve a combination of cluster boxes, and what we think of as rural delivery boxes, curblin delivery.

My recollection is that if we were to institute such a policy, that is insisting on curblin and cluster boxes, rather than continuing the traditional patterns, that we would have a savings of \$11 million in the first year, and would find in the fifth year some \$44-odd million per year.

It would continue to increase with the number of new addresses coming under that provision. I think the savings over 5 years were something on the order of \$126 million.

Senator BELLMON. Some time back, Mr. Bailar, I wrote letters to a selected group of postmasters in the State of Oklahoma, asking questions about Postal Service, and suggestions or ways they felt it might be improved.

I am going to put these letters into the record. The identity of the people has been deleted, at the request of some of them, but I want to raise some points in this hearing, and I hope you will respond to others when you get copies of the letters.

One person writes:

Under present rules the first class Post Office can only accept parcels weighing not more than 40 pounds, and measuring not more than 8 inches in length. All other Post Offices can accept parcels up to 70 pounds in weight, and not more than 100 inches in length.

Why do you have the difference?

Mr. BAILAR. It is a provision of law. It is something we have been trying for quite some time to have changed.

Senator BELLMON. If we put a change in the bill, would that help?

Mr. BAILAR. I would be happy to have it in the bill. I think there is something currently pending in the Senate, another bill, and I have forgotten the number, which would accomplish that purpose.

I think that provision was originally put into the law as protection for REA in large cities.

The REA has since gone bankrupt, and we are left with the strange situation where a person brings too large a parcel to a big office, and they say we cannot take that parcel, but if you will go 5 miles out of town, to such and such, they will take it there. That is crazy, and should be changed.

Senator BELLMON. Do you have others, to use your term, crazy provisions that we ought to be changing that might help improve the service?

Mr. BAILAR. I think I do not recall any offhand. We are trying to get some legislation which would allow us to represent ourselves in court, rather than relying on the Justice Department, things of that sort.

That does not have a direct bearing on the service levels, Senator.

Senator BELLMON. Also, this is a rather long section, but I would like to read it, because it is exemplary. One person wrote back and refers to what he calls supervisor apathy and lack of authority. It reads:

The procedure of progressive discipline that line supervisors are forced to use to remove an incompetent employee from an assignment is a ridiculous waste of time, and an unneeded waste of funds. This procedure consists basically of five steps:

1. One or more discussions with employees concerning irregularity or poor performance;
2. If desired results are not forthcoming, and at next instance of poor performance counseling is to be given;
3. Failure to improve after Step 2 results in a letter of warning to be placed in the employee's personnel folder;
4. If no improvement is shown, the supervisor may request a five day suspension, providing he has documented all previous steps;
5. All other failing, steps to remove from service may be initiated. This step is seldom reached, as it is usually interrupted by a grievance filed for harassment, or employee bids to another unit by virtue of seniority, and another supervisor is faced with the same problem and lengthy procedure.

If these are the rules of law, could we, by law, give your supervisors more direct authority over their employees?

Mr. BAILAR. Senator, we have two factors which enter into this, and I am frankly not conversant enough with the details of what goes on out of the national labor contract, and what comes out of the Civil Service laws to be able to distinguish between the two of them for you here.

I think it is a matter in large part of what is written in the Civil Service laws, especially the Veterans' Preference Act, for reasons that go back far before the Postal Reorganization Act in terms of protecting employees against capricious action by their supervisors.

I think what is in the contract with the labor unions is something that management has agreed to as appropriate protection for the employees, and I do not believe that any law would be appropriate to deal with that.

Senator BELLMON. Well, the point I make is that if we are going to be asked to supervise the Postal Service, whether it is 10 or 15 percent, or whatever, I believe we also ought to insist that the laws and procedures allow the Postal Service to operate in the most efficient manner and consistent with the personnel policies. If you have either archaic or unworkable provisions in your personnel procedures perhaps we should help you out with legislation.

Can you give us recommendations as to how to deal with this problem?

Mr. BAILAR. I would point out to you that it is partly a matter of restrictions of the civil service laws in regard to veterans.

Senator BELLMON. There is nothing holy about those. We put them in place, and if they are not workable, here is a good time to start changing them.

Mr. BAILAR. They are rather cumbersome and restrictive; but they are generally consistent with "progressive discipline" procedures that

are generally accepted in most large organizations employing substantial numbers of employees and it may be unrealistic to suppose that they can be greatly changed.

Senator BELLMON. Also this same person says that:

An applicant's qualifications are completely disregarded, and the recommendation of the Postmaster's Advisory Committee is the sole basis for selection.

The results of this procedure is that preselected persons may be selected, and there is no appeal procedure for complaints.

Maneuvers to promote preselected persons include not posting the vacancy for bid, but to detail the desired person to the vacancy, and later promote the person due to his or her prior experience.

This is another area like the personnel policies that needs to be looked into.

I will not go on with these. There is a whole bunch of suggestions about the ways the Postal Service should improve its policy.

The one that really got me more than anything else was someone reported that there is a regulation, out of, apparently Washington, which states, and I shall quote:

Another example of decreasing the service is the drastic reduction in window service personnel. Orders from higher headquarters are to maintain waiting lines of at least four customers at a window. If there are not at least four customers most of the time we are to further reduce window service personnel.

Have you put out such a requirement?

Mr. BAILAR. No, sir, I am sure there is not, but I would also assure you that if I find out anything that smacks of that I will change it.

Senator BELLMON. I, like Senator McGee, have been out listening to the folks on Main Street, and if you have a meeting now, everyone complains about the Postal Service. It is like someone is harassing and planting the questions, and they are so worked up about the matter that some people complain that a lot of the postal clerks are spending most of their time selling food stamps that some people come to get, and the Postal Service customers have to wait while others get their food stamp applications filled out.

Is this a common complaint?

Mr. BAILAR. I would not use the word "common," but I have heard about it before.

I would make a couple of points on food stamps. One is that we try to limit the food stamps to off peak hours.

Second, we are reimbursed for that, and if we can provide that service at off-peak hours it helps our financial situation.

I think you have to expect that there may be occasional lines at post offices, at lunch time, and Saturday mornings, just as you find them in the supermarket after work and on a Saturday morning, but clearly it isn't a routine matter. Waiting lines should not happen, and if we have got that situation, we ought to increase our staffing.

Senator BELLMON. Mr. Chairman, I want to submit the rest of these questions for the record, and I do have a prepared statement.

The CHAIRMAN. Without objection, your statement will appear in the record at this point in full, and immediately following, the letters from your constituents.

[The documents referred to follow:]

## PREPARED STATEMENT OF SENATOR BELLMON

Mr. Chairman, members of the committee, Mr. Postmaster General:

Without mincing any words, our country's postal system is in a mess, and a lot of Americans are concerned about it.

My constituents are concerned about the fact that:

It now costs 13 cents to send a first class letter, over twice as much as when I came to the Senate.

Mail is slow being delivered, damaged, or never delivered at all.

Hours of service have been reduced at their post offices.

Long lines at postal windows frustrate and waste time of patrons .

Postal workers average over \$8 an hour, including fringe benefits.

Strikes are threatened by the 600,000 organized postal employees, although prohibited by law.

Despite a \$1.5 billion annual subsidy, the Postal Service is running a deficit of over \$200 million a month.

Promised efficiencies from better equipment, improved facilities and mechanization of mail handling are not apparent.

As a member of this committee, and one who strongly supported the Postal Reorganization Act of 1970, I share these concerns. I am also concerned about the fact that:

More and more individuals and businesses are turning away from the Postal Service to the telephone, electronic communication systems and alternate methods of mail delivery.

As a result, after reaching around 90 billion pieces of mail a year, annual volume declined last year by over 800 million pieces.

Personnel costs, already accounting for 85 percent of the agency's \$12 billion annual budget, are being forced upward.

Anticipated cost savings from mechanization have not materialized.

With an expected deficit of \$1.4 billion this fiscal year, we are faced with the difficult choice of increasing postal rates or appropriating more funds to provide a larger subsidy.

The Postmaster General is well aware of these concerns, and in fairness to him and his predecessors, it should be stated that an earnest effort has been put forth to carry out the mandate of Congress.

Mr. Bailar and his staff are to be commended for their attempts to economize by holding down new hiring, reducing overtime, and seeking ways to make more efficient use of manpower.

They are also due compliments for making the Postal Service more responsive to postal patrons by undertaking to check out complaints and to solicit suggestions for improvement of services. This is important because although the Postal Service is an independent agency, it is nevertheless a publicly-supported agency and needs the continuing support of the public in order to survive.

And I, for one, believe the Postal Service must survive.

Despite all of its problems, I am still convinced that removing the nation's postal system from political control was a good idea. With all of its faults, the present system is better than the one we had.

Nor can we allow the Postal Service to be put out of commission by competition from the private sector. Although there is certainly a role for private enterprise in delivering certain kinds of mail, there will always be a need for a mail system to serve all citizens equally, regardless of how profitable the operation might be.

The problem is how to find a way to provide such a service, given the realities of expanding demands, dwindling volume, increased costs and prevailing public opinion against higher federal spending.

As I have informed the Postmaster General, I want to be helpful in solving the nation's postal problems. I recently took a survey of selected postal officials in my home state of Oklahoma, and received some interesting comments and suggestions. Only one of those responding wanted to return to the old Post Office Department set-up.

As an example of the responses, one postal station manager said the three greatest factors contributing to customer complaints were: employee incompetence, supervisory apathy and lack of authority, and administrative incompetence. If this is true, these are certainly areas that can be corrected by the Postal Service management.

Another postal official said the Postal Service should be restructured in such a way as to give the manager of the individual postal installation a degree of freedom in determining which methods of operation are best for achieving his objectives. He said:

"There is so much variation in activity from post office to post office that complete, efficient management from a sectional center office 75-150 miles away is not possible. Under no circumstances should official channels of communication be so limited that postmasters may appeal only to the Sectional Center Manager's office for reconsideration of orders or requirements that are not feasible in their particular situations."

These and similar comments from the field may be helpful in finding a solution to the dilemma faced by the Postal Service.

I am sure that the Postmaster General has some ideas on how to cope with the problems faced by his agency, and I am glad he is here today to present his views. At this point, Mr. Chairman, I would like to read into the record a brief letter I wrote to Mr. Bailar last week.

(letter)

May I join with my colleagues on the Post Office and Civil Service Committee in welcoming the Postmaster General to appear before the committee and to work with us in trying to develop a more efficient, workable and affordable system of delivering the mail.

POST OFFICE DEPT.

Letter to 9 Postmasters.

As a member of the Post Office & Civil Service committee and as the recipient of many letters from Oklahomans regarding the quality of postal service, I am interested in any suggestions you may have as to how the laws regarding the Postal Service could be amended so that the service could be improved.

I would also appreciate any opinions you have as to the conditions and service, quality of the service, the personnel policies being followed and any other matters you feel would assist me in my legislative efforts. As you are aware, a considerable effort is being made by some members of Congress to abolish the Postal Service and reestablish the old Post Office Department. Please feel free to express an opinion on this subject if you would like to do so.

Any suggestions or recommendations you have will be appreciated.

Sincerely,

HENRY BELLMON.

Hon. HENRY BELLMON,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR BELLMON: Thank you for your inquiry of February 12, 1976, regarding the quality of postal service. It gives me great pleasure to have someone of your stature ask my opinion and seek my suggestions. I will try to give a good evaluation and not be too personal.

The Reorganization Act was supposed to remove politics from the Post Office, but there are far more "Internal Politics" in the Postal Service than there ever were "Partisan Politics" in the Post Office Department. Post offices are now operating under a "Dictatorship" form of management; each office is operated according to the dictates of a "Sectional Center Manager." The Postmaster has no recourse other than to abide by these dictates whether they are based on postal regulations or not. The only course of action open to a Postmaster is to the Sectional Center Manager. The Postal Service should be restructured in such a way as to give the manager of the individual postal installation a degree of freedom in determining which methods of operation are best for achieving his objectives. There is so much variation in activity from post office to post office that complete, efficient management from a sectional center office 75-150 miles away is not possible. Under no circumstances should official channels or communication be so limited that postmasters may appeal only to the Sectional Center Manager's office for reconsideration of orders or requirements that are not feasible in their particular situations.

Service to the American people is horrible. The Postal Service has designated areas of commitment for delivery of mail. Mail for delivery at a destination that is a given distance from the point of origin is said to be "committed" for delivery in a specified number of days. Delivery is monitored by a system known as "ODIS" which is effective in determining if delivery standards criteria are met but it does not reflect decreases or curtailment in service. Actually service is

regularly and continually decreased and curtailed. Eg: We have several businesses in our area that are dependent upon mail to and from their home offices in Wichita, KS, Kansas City, MO, St. Louis, MO, Dallas, TX, Oklahoma City, OK, etc. I started to work for the Post Office in 1955 and we always made next-day-delivery to and from all these cities until the Postal Service set up the "committed areas." Now it is impossible to get better than two-day-delivery. When a delayed mail complaint is received the response is always the same: "We are not committed to next-day-delivery." After having received next-day-delivery service for over twenty years and then having it taken away is certainly a decrease in service. Another example of decreased service is the drastic reduction in window service personnel. Orders from higher headquarters are to maintain waiting lines of at least four customers for each window service employee. If there are not at least four customers waiting for each window employee most of the time then we are to further reduce window service personnel. We have always given prompt and courteous service to our customers and this order certainly represents a decrease in service which directly results in customer dissatisfaction. These are but two examples of decreased service to the public. There are many more of which I am sure you are aware.

Congress should appropriate funds sufficient to cover a large part of the cost of operating the Postal Service. It is the primary duty of the Postal Service to accept and deliver mail everywhere. It is impossible to provide complete mail service in rural and sparsely populated areas and expect the revenue from these areas to pay the cost of the service. Regardless of the cost however, all mail must be accepted and delivered from and to those thinly populated areas. Other organizations (U.P.S., I.P.S.A., etc.) accept only selected mail at selected points and make deliveries to selected areas. This can be done at a profit since both origin and destination can be selected. If other mail delivery organizations had the same regulations as the Postal Service (to accept and deliver all kinds of mail everywhere) they could not make a profit. It seems rather obvious that these private organizations are making a determined effort to take away from the Postal Service all the business from which it is possible to show a profit. For the above reasons the Postal Service revenues must be supplemented by appropriated funds if it is to continue to operate and provide service at reasonable rates.

As stated before, the Postal Service has set up an almost intolerable form of dictatorship and a continually deteriorating service. The only positive improvement to come about since organization of the Postal Service is increased pay for employees. Other government agencies have received the same or greater pay increases so the Postal Service management really cannot take credit for employee pay increases. The Postal Service should be controlled by Congress rather than by its present Board of Governors. The members of Congress providing guidance to the Postal Service would of necessity take into consideration the needs and desires of the general public when formulating policies for the Postal Service. The present policy-making body seems to have little or no contact with the general public and they certainly seem to be unaware of the needs of the Postal Service customers. There would be no need to reestablish the Post Office Department. The present organization, under control of Congress, could be modified so as to be much more responsive to the needs and convenience of the customers, be able to react quickly in correcting deficiencies in service and provide a more suitable environment for lower level managers in which they would have freedom to exercise their own skills and experience in adapting their operations to the areas for which they are responsible. Perhaps this modification could be tailored to greatly reduce "internal politics" and still not revert back to the "partisan politics" of the past.

The trend toward centralized mail processing should either be reversed or pushed on to its ultimate objective. Reversal of the trend is most desirable for the following reasons:

1. The postal organization could be an important and personal part of each community rather than just a collection and distribution point.
2. Mail from every community would not lose its original identity.
3. Efficiency and delivery times were far better before the transition to centralized mail processing began.
4. Missing dispatch times or incidents of delayed mail were much less frequent and when they did occur the volume of mail effected was not great.
5. Tremendous cost of large volume mass production machinery would not be necessary.
6. Mail volume is unpredictable. A system of decentralized mail processing can adapt to an unexpected heavy volume far more easily than the centralized system and with far less volume of delayed mail.

If centralized mail processing is developed to the optimum level the following corrections should exist:

1. Mail processing Oklahoma should be concentrated completely in Oklahoma City.
2. The committed delivery times for first class mail should be abolished since they cannot be consistently met anyway.
3. The express mail concept should be expanded so that any postal customer could have access to next-day-delivery service at a reasonable rate.
4. Sending all Oklahoma letter mail to Oklahoma City for processing would permit concentration of ZMT capabilities, reduction of maintenance personnel for the ZMT's and the volume and flow of mail would be sufficient to permit 24 hour per day operation of these very costly machines.
5. Individual postal installations should be permitted to cancel all mail they dispatch because at present cancellation is the bottleneck in sectional center offices having ZMT operations. If the mail were cancelled at the office of origin it could go directly to the ZMT's whereas now it must be faced, cancelled and trayed upon arrival at the sectional center and at this point in the operation, time is a critical factor.

The Postal Service is not nearly as good as it could be or should be. There are many more ways in which the organization and the service it provides could be improved. Here at home we have no choice but to carry out policies and procedures exactly as given to us from higher headquarters. Even an opinion, such as this letter would create severe and unpleasant repercussions in numerous ways if it were known that these opinions had been expressed in this way. *Therefore I respectfully request that the Postal Service not be made aware of the fact that these opinions are mine.*

FEBRUARY 26, 1976.

Hon. HENRY BELLMON,  
U.S. Senator,  
U.S. Senate, Washington, D.C.

DEAR SENATOR BELLMON: Thank you for your letter allowing me the opportunity to express opinions concerning postal service, policies and etc. My comments will be from the grass-root level, being a supervisor from the line supervisory level I cannot address myself to the reports that concern national statistics only to say that the national efficiency reports conflict with the ones at this level especially those concerning delivery commitments.

I will begin with the most frequent valid customer complaints:

1. Delayed delivery—Local mailings delivered 3 and 4 days after date of postmark.
2. Undue delay and numerous errors in forwarding and return of undeliverable mail.
3. Misdelayed mail—Some firms return hundreds of pieces of mail daily delivered to them in error.

The three greatest factors contributing to these complaints are:

1. Employee incompetence
2. Supervisory apathy and lack of authority
3. Administrative incompetence

*Employee incompetence.*—Notwithstanding the establishment of many postal training facilities throughout the service employee efficiency has deteriorated primarily due to the present system that classifies an employee qualified for a position based solely on his pay grade and seniority. This allows for assignment of persons to positions in instances that are neither emotionally nor physically suitable. Efficiency standards for clerical personnel have been eliminated and supervisors insisting for higher productivity are subjected to a harassment grievance being filed on behalf of the inefficient employee.

*Supervisory apathy and lack of authority.*—The procedure of "progressive discipline" that line supervisors are forced to use to remove an incompetent employee from an assignment is a ridiculous waste of time and an unneeded waste of funds. This procedure consists basically of 5 steps:

- (a) one or more discussions with employee concerning irregularity or poor performance.
- (b) if desired results are not forthcoming and at next instance of poor performance, counselling is to be given.
- (c) failure to improve after step (b) results in a letter of warning to be placed in employee personnel folder.

(d) if no improvement is shown, supervisor may request a 5 day suspension providing he has documented all previous steps.

(e) All other failing, steps to remove from service may be initiated. This step is seldom reached as it is usually interrupted by a grievance filed for harassment or employee bids to another unit by virtue of seniority and another supervisor is faced with the same problem and lengthy procedure.

Estimate the supervisory time spent in this futile procedure and supervisory apathy is understandable.

#### *Administrative incompetence*

This is due to personnel policies, particularly in the area of promotions. In spite of reasonable and intelligent guidelines many highly qualified persons are denied promotions and those of lesser qualifications and experience are promoted. An applicant's qualifications are completely disregarded and the recommendation of the Postmaster's advisory committee is the sole basis for selection. The results of this procedure is that pre-selected persons may be selected and there is no appeal procedure for complainants. Low morale exists throughout the ranks of supervisors, qualified efficient personnel are leaving the service in disgust, personnel with years of expertise are leaving for positions in private industry, inexperienced persons assigned to critical administrative positions, increase in training costs and a crisis oriented operation.

Maneuvers to promote pre-selected person include not posting the vacancy for bid but to detail the desired person to the vacancy and later promote the person due to his or her prior experience. To promote a person who is unable to pass the supervisory examination or is not within the zone of consideration, is to promote to a non-supervisory higher level job, thereby making him eligible to bid for supervisory positions.

There are other methods, all of these unfair methods are made possible due to checks balances and controls by an agency outside the Postal Service being non-existent. The Postal Service has no one to control its abuses and is its own judge and jury. This is very evident in the abuses in the administration of the EEO (Equal Employment Opportunity) program. I welcome the opportunity to discuss with you or your representative concerning of the points covered in this letter.

Each and every employee that I have conversed with concerning the effectiveness of the Postal Service as compared to the U.S. Post Office Department is unanimous in feeling that the old Post Office Department was superior in service, efficiency, employee morale and customer satisfaction.

Thanks again for this opportunity.

MARCH 1, 1976.

HON. HENRY BELLMON,  
U.S. Senator, New Senate Office Building,  
Washington, D.C.

DEAR SENATOR BELLMON: I appreciate this opportunity to comment on the quality of mail service and the problems facing the U.S. Postal Service.

Our most serious problem is financial. The Postal Service is criticized from within and without, and possibly with justification; however, from all quarters there appears to be a total absence of alternatives acceptable to all concerned. Critics who are not willing to seek solutions become part of the problem.

Traditional postal service has become very costly and will result in increasingly high rates or large subsidies. The Congress possibly should reach some clear understanding with postal management as to the levels of service to be maintained and how these service levels are to be financed. I feel we should consider those alternatives which will maintain service and reduce costs, such as closing or consolidating post offices, more contracting, and less frequent delivery. At least we should compare costs.

Further productivity improvement can be made through improved utilization of present resources. This, however, does have limits, and I can see no breakthrough in technology which will significantly reduce the cost of mail handling. So, in the foreseeable future, we must simply do better with what we have.

The quality of service is generally good in spite of the horror stories to the contrary. We are both receptive and responsive to complaints and most are adjusted promptly to the satisfaction of the complainant. We maintain a quality control network and monitor service on a continuing basis. I would invite independent testing by anyone concerned with the quality of service.

Much waste has been eliminated through better scheduling and improved utilization of transportation, equipment, and personnel, and these actions have been pointed to by some as reductions in service. However, given the facts, these are actions that any reasonable person would have approved.

Regarding the proposal that the old Post Office Department be reestablished, I have worked under both systems and have advanced from the ranks to responsible positions in both the old and the new. I must say that managers are now more accountable, probably try harder, and have accomplished more than would have been possible under the old system. Starting each year with an annual appropriation and supplementals almost always forthcoming was a more comfortable way of operating. The postal deficit became a part of the Federal deficit and was of little continuing concern to postal management.

I think the new system can provide more return on the dollar spent than the old system in that managers within the system are more accountable. The organization itself may need to be more accountable and the Act may need to be changed to provide for this. The Postal Service had problems before reorganization and the Act was not a cure-all for these problems. It did express certain expectations, and these should be reviewed periodically to determine if they have or can be reasonably accomplished in the light of existing conditions.

Although there is a growing clamor to dilute the Private Express Statute, I feel it must be retained if we are to have a nationwide network and rates that have any semblance of reasonableness. I don't hear these advocates of private carriage of mail proposing to take over those segments which have a high cost/low revenue ratio.

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Hon. HENRY BELLMON,  
U.S. Senator,  
Washington, D.C.

DEAR SENATOR BELLMON: Thank you for your letter of February 12 in which you ask for suggestions and recommendations concerning the Postal Service. I shall try to cover all areas you suggested, and perhaps a few others, and be as brief as possible.

First of all, concerning any laws that might be amended to improve service. One area that could be improved is our regulations concerning the handling of parcel post. Under present rules, a first class office can only accept parcels weighing not more than 40 pounds and measuring not more than 84 inches in length and girth when destined for another first class office. All other offices and acceptance units can accept parcels up to 70 pounds in weight and not more than 100 inches in length and girth for any destination. In my opinion all offices should be able to accept the larger parcel for shipment to any destination. This would enable us to be more competitive and in turn regain some of the parcel post business that we have lost.

You are probably aware of the statement made by Postmaster General Bailor to the Congress in which he asked for temporary financial relief in the form of an additional public service appropriation, to cover the difference between revenue and costs for the next two or three years. He also proposed that during this period a study commission should determine what cost should reasonably be charged to the mailer and what costs should be borne by the general tax payers as "public service" costs. I am in complete agreement with this proposal. There are some services which we render from which we derive very little, if any, revenue and yet they are vital services which should be continued. As for the quality of service, it is generally good. I base this statement on our own "in house" surveys of our service which prove that we are delivering the majority of mail on time. There are, of course, trouble spots, but we continually strive to eliminate them.

As for personnel policies, I feel that they are better under the Postal Service than they were under the old Post Office Department. Employees, and managers can now advance to better positions on their own merits. In my case for example, \_\_\_\_\_ at \_\_\_\_\_. This not only enabled the Postal Service to use my experience, and whatever abilities I may have, but it also gave me a chance to step up to a better job. All employees and managers are afforded these same promotional opportunities. This chance for advancement was not available under the old Post Office Department.

I do not believe that we should revert to the old Post Office Department. We must continue to modernize through mechanization and other methods to keep up with the volume of mail that is generated by our ever growing population.

I believe that if Postmaster General Bailar's suggestions were followed that in due time we could solve our problems, with no curtailment of service and continue to render to the people the best Postal Service in the world, which they so rightly deserve.

Again, let me thank you for the opportunity to express my views and opinions the Postal Service and I sincerely hope that in some small way they will be of help to you.

The CHAIRMAN. Thank you.

May I add there, the last time I was at the store, and I do not always do the grocery shopping, and the last week I have been there three times, and I have had to wait in line an unconscionable period of time.

On the lines, I have not read a letter to the editor yet about somebody complaining about the length of lines at Giant or Safeway, or some place like that. It is rather accepted.

I think the Senator has put his finger on something, and that is right now, whenever you can get nothing else to be mad at you can aim at the Postal Service.

I have been in postal lines, and it seems to me the lines move a little slowly, but I thought they were bad until I went to the super market, and then I decided I should go back to the post office maybe, and get some food stamps, and then I would have to get in line again.

Mr. BAILAR. Senator, I went out of town not too long ago, and had an interview with a newspaper reporter who was asking a number of questions about this sort of mail, and things like that.

I could not resist the temptation to call his office the next day, and point out to him that the report was full of typographical errors in the article he wrote.

Senator BELLMON. If he only made typographical errors he is a lot better than many reporters I have dealt with.

#### IMPACT OF POSTAL RATE INCREASE DELAY

The CHAIRMAN. I cannot add anything to that, but to go back to a couple of your comments, Mr. Bailar, the slowness of the 3-cent increase at Christmas time, if you had gotten that increase 6 or 9 months earlier, that was pending for a good many months, would that have made any difference?

Mr. BAILAR. About \$1 billion, Senator.

The CHAIRMAN. About \$1 billion?

Mr. BAILAR. Yes, sir, the rate increase we put in on the 31st of December has an annual impact of about \$2.4 billion a year, and we would have preferred to put it in about the time that the labor contract was negotiated, which would have been sometime mid or late July.

I might add here that the Rate Commission shows every appearance of acting much more expeditiously now than they had previously.

The CHAIRMAN. Because of the hearings we had on that earlier, and because of some new leadership at the Rate Commission, I can add that we think the procedures are being stepped up very noticeably.

It was going through a trial period, in fairness to the Rate Commission, much as it was too slow. It was hammering out things that would have implications as a precedent, and thus, they tended to go more slowly, but they think now they have gotten this tightened up to where it may move in a more expeditious manner.

We hope that turns out to be the case, Ben. We think the Rate Commission is an important balance wheel.

Mr. BAILAR. We need expedition in handling the rate cases, and we need good handling of our classification as well, and they are studying a classification case they inherited from 1973 that still is an open case.

The CHAIRMAN. One question which has been raised in regard to the small post offices across the country, and they are still the predominant ones, I mean mostly rural America, or low population America is this: is there a precondition such as you mentioned, of equal or better service being the replacement factor.

If that were a basic policy, what numbers would be considered as valid?

What numbers of small post offices would be evaluated on that basis?

Mr. BAILAR. Well, that is our policy, Senator.

I have repeatedly stated that we are not going to go into any closings on a wholesale basis.

The CHAIRMAN. That statement is not quoted by your customers. All they quote is Ben Bailar is going to close the rural post offices.

Mr. BAILAR. The number 12,000, Senator, came out of a seat-of-the-pants effort that I think was two-thirds of all fourth-class offices, and one-third of all third-class offices.

The CHAIRMAN. That was a pretty big pair of trousers.

Mr. BAILAR. We are going to make the decisions one at a time, and these 1,000 we are looking at now, we are going to approach each one individually, and I think whether we go beyond that, how many of those 1,000 ultimately end up being recommended for closing is going to have a bearing on what comes next.

I would point out to you, sir, that there are a number of cases in which the things that we are trying to do do not get a lot of press attention, but have considerable support from affected parties, including, in some cases, even the postmaster.

We have a case over on the Eastern Shore of the Chesapeake, where the postmaster served 157 families, I think it was, at an expense of operating the post office of \$14,000.

That postmaster was quoted in the Washington Star as saying that paying a salary such as they are paying me is ridiculous, to serve the number of people I serve.

I have a case before me of a small office in Alabama which has annual operating costs of nearly \$17,000, receipts of \$4,500, serves 26 families, the nearest office is seven-tenths of a mile away, and we talked to 12 customers. One was opposed to closing. One said they could not care less, and 10 said they thought it was the smart thing to do.

We do not hear about those very often, and I think this small office thing is an emotional issue with some people, but I think there are an awful lot of people who support what we are trying to do, and I wish they would get more attention.

The CHAIRMAN. It might be well then if, in a statement before the Economic Club of Denver or Dallas, that you make a new speech in which the opening line would be we intend to close no more rural post offices, with only one caveat—that is, unless we had equal or better service, so that we can improve the service.

It comes out at the other end of the line, you see, the way it has been going. I know what you have been doing. We know here what you have been doing, but you are also very much in the public gold fish bowl these days.

Mr. BAILAR. Yes, sir.

The CHAIRMAN. It has to be very carefully worded and phrased, and the emphasis has to be underscored, and sometimes we would be better off if you explained to some efficiency experts that you mean what you said, that you are not going to change any rural post offices. That would be refreshing.

Then you could explain the details about how, no, I did not say that, but instead you are backed up in the opposite, saying they are all going to be closed, the way it is read or interpreted, and then you end up having to explain that is not really what you said.

By the time you have explained what you said they are not listening, and so we are all listening as a result of that, and I say welcome to the club, because we have all been through this thing on many other kinds of issues.

There is something in terms of the emphasis that you lend toward it. We need a little help to slow down this panic on the national front.

#### POSTMASTER VACANCIES

There was a matter that I wanted to ask that Senator Abourezk brought up in terms of postmasterships in second, third, and fourth class post offices.

He says one of the sectional center managers told him personally that he has written orders that no individual who does not already have the title postmaster or postperson, whatever you call them out in that field these days, can be hired to fill a postmaster vacancy.

Is it true? Do you have an order like that?

Mr. BAILAR. I do not think that is accurate in the literal sense of the word, and certainly not accurate in the sense of what we are doing.

We have operated in recent months not to fill postmasterships for the moment, because if we do find we end up closing an office with an incumbent postmaster we have an obligation to that individual to find an alternative position for him to take on.

If we were to fill all postmasterships immediately we would end up with a pretty small number of opportunities, and we like to keep these people as close to home as we can, and so on.

We try to be judicious in filling the small office postmasterships.

The CHAIRMAN. I mentioned earlier that we will make this question with the background information on it part of the record, and when it is in the record you may want to have a look at it for its refinement.

#### POSTAL SERVICE ADVERTISING

I also have a question here from Senator Tunney. He has a long list of questions, but this one will epitomize them.

In fiscal year 1977 how much does the U.S. Postal Service intend to spend on public relations and advertising?

He has received a lot of flak about Postal Service advertising its wares.

Mr. BAILAR. Well, I will have to get it for you. I can make a brief comment on the advertising program. It is limited to three things.

One is a service advertising campaign, which is intended to gear up the public, or help them help us in terms of addressing conventions, and how to prepare their mail, and the types of services that are available.

Second is our philatelic program, which is very lucrative to us. We make some \$50 million a year net after marketing costs.

The third is an experimental program, to see if we can build first-class volume, which is being conducted in three cities, and is going to be limited to those cities until we can prove beyond any reasonable question that it is a good financial investment.

I think in any financial circumstances that we face, any kind of advertising of that sort would have to stand extra hard scrutiny, and we will not expand that unless we are going to win.

The CHAIRMAN. I will put a letter to Senator Tunney into the record at this point.

[The document referred to follows:]

CITY OF EL CERRITO,  
El Cerrito, Calif., February 10, 1976.

Hon. JOHN V. TUNNEY,  
The U.S. Senate,  
Senate Office Building,  
Washington, D.C.

DEAR SENATOR TUNNEY: The purpose of this letter is to solicit your assistance in seeking amendments to present United States Postal Service policies regarding bulk mailing of city newsletters.

The city of El Cerrito is well known for the participation of its residents in their local government. This involvement is the result of a direct effort on the part of the City to insure communications with its residents. The City's quarterly newsletter is an important instrument in that program.

During a recent review of City programs, it was determined that under the new rate for third-class, bulk mailing of 7.7¢ per article, the City's newsletter will cost approximately \$2,772 a year to mail. In researching the Postal Service rate structure for alternative methods of mailing the newsletter, we found several rates which our newsletter could qualify under if it were not for a policy excluding cities from utilizing those rates. The rates I am speaking of are special third-class rate of 1.8¢ for nonprofit organizations and the second-class rate privileges for newsletters, newspapers, and periodicals. In reviewing these rates with local Postal Service offices, everyone seems to agree that cities should be eligible for nonprofit status and/or second-class privileges. However, in every case they referred to the regulation specifically excluding our newsletter and presented no justification for the exclusion. If the City were eligible for special, third-class rates, the newsletter would cost \$648 to mail. This rate would allow the City to publish and circulate an additional letter instead of eliminating one.

Representative government is essentially government by consent, but this consent is not easily obtained unless information reaches the people. Therefore, I am seeking your assistance in revising the United States Postal Service regulations prohibiting cities from taking advantage of the special, third-class rate for nonprofit organizations and the second-class rate. We in El Cerrito believe excluding cities from special rates, especially the third-class nonprofit rate, is arbitrary.

By making these rates available to cities, the City of El Cerrito will be able to continue its concentrated effort of informing its residents on current matters. This, we believe, is a fundamental principle of representative government.

Thank you for your consideration.

Sincerely yours,

GARY E. MACLAREN,  
Mayor.

The CHAIRMAN. This does indicate that you cannot win no matter how you do it.

I happen to be impressed with the advertising in the sense that it produces an awareness. It may even produce some business, some increased new use.

At least it certainly produces some understanding, but you folks manage this like it were kind of a tightly run sort of private operation.

It would spoil a lot of the fun here in Washington if you were to come close to making the Postal Service pay. Why what would we talk about?

I guess we have to look upon this issue as your contribution to the psychotic belief in the Nation's Capital these days that we have got to let it out somewhere, and they have chosen you for that honored post.

Mr. BAILAR. I hope it provides relief to some segment. It is not helping me very much.

#### BULK MAIL CENTERS

The CHAIRMAN. Welcome to that club, also.

We have had a couple of recent disclosures in the press. One of them centers around the bulk mail centers. The 21 bulk mail centers are now all operational, is that correct?

Mr. BAILAR. Yes, sir.

The CHAIRMAN. We have had a serious development in the Chicago area as disclosed recently, in which there was a backup of hundreds of thousands of parcels, that were either stacked, or stored, or diverted in one way or the other. Perhaps other breakdowns are impending.

Why did that happen? These are relatively new parcel handling facilities.

Mr. BAILAR. Well, I think, in a nutshell, Senator, the original concept did not make proper provision for some types of parcels. Specifically, we have found that we have heavy parcels that are not tightly packed, and when they are on a ramp or incline, they can act as a sledge, if the material inside can shift around, and it breaks the parcel open.

If you have a box of 100 pamphlets, and it breaks open, you have 100 pieces loose in the mails.

We did not anticipate that in designing the facilities some years back, and our management communication was not what it should have been in terms of realizing we had the problem as soon as we should have.

We have much of the material in Chicago which was being catalogued as it was found to be loose in the mails. We had to hold it for 60 days on the chance that we can match it up with a claim, or with a wrapper, and we are now having all of that material catalogued, and we are in the process of trying to identify it.

We know what we have got. It has all been catalogued, and all the notices were appropriately sent to mailers, advising them that things had been found.

The CHAIRMAN. Up here, at least, we read about a snafu in Chicago, and subsequently the one in Detroit, before we knew anything about it here in Washington. We read about this in this newspapers.

Did you know about it?

Mr. BAILAR. Senator, the one in Detroit I did not find out about until I read the newspaper, like you.

The one in Chicago we found out about on a Friday. I have forgotten the date. We spent a good deal of time getting our facts together.

Well, we put out a press release on Saturday, the next day, as to what the situation was, and it is my understanding that copies of that release were sent to all members of the House and Senate Post Office Committees on Monday morning.

The CHAIRMAN. My question to you is why did you not know this sooner?

The trouble apparently had existed for some time.

Mr. BAILAR. I should have.

The CHAIRMAN. I did not hear you, sir.

Mr. BAILAR. I should have known about it sooner, and the people that I work with in Washington should have, and we did not. We did not know for a couple of reasons.

One was that people we rely on in this connection were looking at some numbers that did not tell them the whole story. They were generally looking at what we call rewraps, and of course, rewraps does not count the things that do not get rewrapped, and that is what the problem is.

Second, we had moved, in the last year, to decentralize the management of the bulk mail network—the individual facilities now report to the regions; the people in the region knew about the problem, and as near as I can determine, they felt it was something they could and should correct on their own.

They unfortunately, Mr. Chairman, got too far behind.

The CHAIRMAN. When I went through the last time, I went through one of the bulk mail centers, which was in February, just as they were putting onstream the last of them to be completed, out east of Los Angeles. It was rather impressive, I must say, but I noticed in visiting they were careful to point out the section where they had the damaged parcels, the rewrap problem.

I do not know how carefully they had screened that, or what had been sorted out for my benefit, but it looked to be overwhelming. I do not know, and I would not speculate on that.

Mr. BAILAR. Well, Senator, as with so many other things, we do not always get the full story, and a balanced story.

Los Angeles was very recently put on stream, and they clearly had gotten behind.

I also would point out to you that we have 21 bulk mail centers. Immediately after we realized the magnitude of this problem I saw that one of the senior members of postal management visited each and every one of those centers within the next week or 10 days.

We found quite a few centers where they were not having excessive damage problems, and associated big city post office where loose-in-the-mail or dead parcels were being handled on a current basis.

Unfortunately, that is not newsworthy, and did not get much attention, but we are not having this problem in most bulk mail centers. I think we have procedures now to make sure we do not have it.

A number of the bulk mail centers are operating well, and I think it has something to do with the caliber of the management in the centers.

The CHAIRMAN. We have also had some complaints that have us frustrated in terms of mail service, that is cost saving factors, presumably, hours of mail sorting and handing have been adjusted in areas so the mail backs up overnight, or wherever the cutback exists, and that it thus is involved in a delay deliverywise.

How extensive would this be?

Mr. BAILAR. Well, I do not think it is extensive at all. I know we occasionally have some mail that misses a dispatch, or mail that gets shifted from one tour to another, but the best indication we have got is the ODIS statistics, the national service index, and we have been watching that very carefully because of the reduction in personnel, to stay sensitive to what happens, and so far our national service is holding up well.

I would have to reemphasize something I said in my opening statement, Senator, and that is as we reduce our payroll under the financial constraints that we face, we find ourselves sailing closer and closer to the line, the safety margin which we have historically had, is by any standard less.

Whether it is still adequate is debatable, but it is less than it used to be when you have a reduction of 3 percent in postal employees, and 1 percent in your mail, the safety margin has gone down.

I am deeply concerned that the financial circumstances that we find ourselves in may lead to a deterioration of service similar to what we had in January and February of 1973.

We have not found that yet, and we are watching it just as closely as we know how.

The CHAIRMAN. Well, that was the Christmas debacle of 1972 that you were caught up in in January and February of 1973, and that we did at that time trace back specifically to personnel cutbacks that did not keep pace with whatever the supplementary options were supposed to have been.

Mr. BAILAR. I am aware there are risks, and I am afraid our financial circumstances force us to run more of a risk than we have historically had, and all I can tell you is we are watching it carefully, and so far we see no problem.

The CHAIRMAN. Well, we had submitted to us from a clerk in a small Ohio Post Office the fact that night work, as a matter of policy in that area, at least, has been eliminated, and the result was the clerks going home and leaving the mail, and when the ordinary day was completed some of it, particularly the time value mail, had to wait until the next day, and became an accumulation for that day; and this procedure, indeed, was slowing down what was physically, in terms of delivery times, or mailing times, actually being slowed down by a policy of the station to knock off any night work for the sorting.

How widespread would that policy be?

Mr. BAILAR. Well, I think it would depend on the circumstances, Senator.

I do not know how many pieces of mail might have been involved, or whether it was preferential mail, or perhaps advertising circulars, which were not worked on a preferential basis.

I am afraid I cannot give you a satisfactory answer without some specifics.

The CHAIRMAN. I have given you a specific there in Ohio, but it is enough to make us believe it is happening in some places, and we just need to know the dimension of it, and I think it would be helpful to you to know the dimension of whatever the dimension may be.

#### ERROR MARGIN INCREASE

In the hearings before this committee the GAO testified that there had indeed, in their description, been some decline in the standard of service, and they singled out the mail that was sorted by the letter sorting machines and other devices but the point that they made was that in the old hand sorting operations the margin of error had been roughly 1 percent, as they saw it, and this is the GAO; that under the new, more mechanized approach to permit the processing of thousands instead of hundreds of pieces of mail an hour that the margin of error was about six or seven times what it had been, and that they explained this by the errors that may be made by the operator of these mechanisms, or at least those that involved the keyboard type of operation or other mistakes in the less than sophisticated machines that were still being used, and finally, in the incidence of actual errors produced by the person that mailed that piece, that is, the wrong ZIP code, or the inaccurate address, the margin was still a substantial jump.

I hasten to add that the conclusion was that that was a startling jump, that it was probably more than compensated for by the handling of a much larger volume of mail that might have been impossible to handle under the older system that it replaced.

Would you comment on that? Is there any improvement in sight there?

Mr. BAILAR. We can handle mail more efficiently with mechanization than we can by doing it entirely on a manual basis.

We have, however, found that the error rate on LSM's in particular is too high, and we are doing several things to cope with it.

First of all, though we sometimes tend to forget it, we have error rates in machinery. Sometimes, if you dial a telephone, and get a wrong number it is not because you dialed wrong, it is because one of the relays did not work properly.

There is an error in the machines that causes about two-thirds of the problem, and the other one-third is the human input.

We are getting into training programs now with our employees. We have small devices on the machine to identify those employees that have more trouble with their rates than others, so that we know where to concentrate our training activity.

We have got a manual exchange of the material in the back. In other words, when a person empties out a pocket that is supposed to be all one zip code, he can riffle through the letters, and spot some of the ones going to the wrong place.

I think we have made some headway in the error rate of the machines, and will continue to do so, but I would not quarrel with the GAO assessment.

#### HIRING POLICY

The CHAIRMAN. We have reports that full-time positions are not being filled following retirement, resignation, and removal.

Is there a freeze on new hires?

Mr. BAILAR. No, sir, there is some pretty strict control on it. I think that is one of the principal reasons we managed to reduce our employment by 20,000 people.

We are obviously trying not to replace positions we think we can do without.

We are trying also to retain some flexibility, so if we find the opportunity to move people between crafts, or between locations, we have an obligation to move them to similar positions, and when the situation requires additional help we are hiring, but we are doing it pretty seldom.

The CHAIRMAN. Do the regional postmasters general have authority to determine their own hiring policies?

Mr. BAILAR. They have the authority to hire people when they need them.

I have no freeze on them, no override on their decision.

The CHAIRMAN. I was thinking about the policy rather than the hiring on such, because you have not banned the hiring of people.

Mr. BAILAR. No, sir.

The CHAIRMAN. But in the light of your response to the first question I asked, does your regional postmaster general have that option that would give him the latitude, beneath whatever policy you follow here in Washington?

Mr. BAILAR. Yes, sir, when you talk about a freeze, I think of the situation in 1972, when there just was not any hiring, anywhere for any purpose, and we do not have that kind of a situation.

We are hiring when we need the people. When there is no alternative left, field management has that flexibility.

The CHAIRMAN. Well, the committee has been supplied with a memorandum from the Memphis region, indicating that the regional postmaster general has established a freeze on the hiring of city carriers.

Mr. BAILAR. He might put on a freeze if he thinks that he can handle the situation within his region with existing personnel.

My answer to you was that I did not put on a freeze that overrides the judgment of the regional postmaster general.

The CHAIRMAN. That is the following question.

Does the regional postmaster general have the latitude that you are not exercising or pursuing?

Mr. BAILAR. They have the latitude to hire if they feel it is necessary.

The CHAIRMAN. For example, it just occurs if city carriers are not hired, carriers on duty must be paid, I suppose, overtime as a possibility, and if a carrier works overtime, that means late deliveries, and thus poorer service, does it not?

Mr. BAILAR. Well, if that is the ultimate result, yes, Senator, but I know the postmaster down there is very a good manager, and in my judgment he is trying to hit a balance between the use of overtime and the hiring of additional carriers that would have to be used 8 hours a day, 40 hours a week, and I presume he is continually trying to find the right balance, and I think a little use of overtime is sound in any organization.

If you are staffed up to the level where actually everything can be handled on straight time, you are probably going to have some people more than you need.

At the same time, we clearly do not want excessive overtime. It is expensive, and I think it is something that even our employees would prefer to avoid.

Overtime is nice up to a point, but they get pretty tired of it, and I think their efficiency declines after too much overtime.

The CHAIRMAN. Well, I gather, as a sum of our meeting here together, that your emphasis is on not the closing of post offices, unless or until an equal or better service is available to that particular postal area?

Mr. BAILAR. Absolutely.

The CHAIRMAN. The emphasis is on not closing.

Mr. BAILAR. Yes, sir.

The CHAIRMAN. Rather than having to prove the case for keeping it open, you require the case be proven for closing?

Mr. BAILAR. Well, we have not, by any stretch of the imagination gone out and said you have so many thousand fourth-class offices, and tell us which ones we cannot close up.

We have procedures which very carefully provide for local input. I mean it starts with the local managers on the theory that they are more conversant with that community, or with the alternative services—that is, how far away another office is going to be, than anybody here in Washington.

I think if I can give you a couple of brief feelings on small office closings, as well as other service issues, they are that we are doing everything we can to maintain service levels, while at the same time reducing our costs, and second, that we find ourselves in the position with precious little alternative to raising rates, which would be bad in terms of public reaction, and also I think it would be bad business, because we have found out that rate increases do hurt our volume, and the Postal Service is a volume business.

The only alternative to raising rates and cutting costs is increased appropriations. There has been an intransigent attitude on the part of OMB, as we talked about earlier, and the House has voted against the additional funding for the Postal Service twice last fall.

Under those circumstances I felt I had no option but to opt on the basis that additional funding would not be available. I think it would be irresponsible for me to do anything else.

The CHAIRMAN. The bill pending before this committee addresses itself to the immediate problem, and looks ahead to the longer range ongoing necessities of the system. Do you believe it satisfactorily addresses itself to both circumstances?

Mr. BAILAR. I do, if I can quote again from my statement, Senator.

S. 2844, in my opinion, deals with both the short-term need for financial aid, and the long-range aspects of the postal problem.

We have objections to some of the things in the bill—with provisions restricting things such as cluster boxes, that is, the item that Senator Bellmon and I were discussing. But if we just talk about the main thrust of the legislation, I think we need it, and I think we need it now.

The CHAIRMAN. Do you have other questions, Hiram?

Senator FONG. I just want to say, Mr. Postmaster General, that I appreciate your informing us about some of the problems you have. For example, you sent to us your memorandum relative to the number of packages that were broken in your various post offices.

I noted right after you informed us of that that you got picked on by several Members of Congress.

Mr. BAILAR. That is an occupational hazard.

Senator FONG. I presume they got the information from you, and they picked on you after you had informed them. You have a target in which you have delivery of certain parcels and mail on a certain day after receipt. Are you meeting that target?

Mr. BAILAR. No, sir, we are not. Our delivery, I think, will be improved in the next months ahead with the special transportation network that we are going to have as part of our bulk mail system.

Right now I would have to tell you that our parcel delivery standards are not being met as well as I would like.

Senator FONG. How is the first-class mail?

Mr. BAILAR. First-class mail is, I think, going quite well. We measure our performance against a standard of getting 95 percent of the mail to certain areas within certain times, recognizing that the last 5 percent, as desirable as it might be, would require a degree of quality control which comes at a very dear price, and I think not only are we meeting our service standards better now, so that our performance is better than it was in 1971, but we have broadened our service areas so that the standards are much more demanding.

To take a case in point, in 1971 the overnight standard in the New York area was New York City, if I am correct on that.

Five years later the overnight standard in New York includes a very substantial section of the Eastern United States, and we are still meeting that standard.

We are, nationwide, I think, delivering 96 percent of the mail that we attempt to get to its address overnight. We are getting 96 percent of it there overnight.

I think our service performance in that connection is doing well.

Senator FONG. I commend you for it.

Mr. Chairman, I want to thank the Postmaster General for coming up here, and having this discussion with us, and I think it will be very helpful to the committee.

The CHAIRMAN. I thank you, too, Ben, for taking all this on. We are confident here that we have no rational alternative to come up with anything but the passage of this legislation. It is the only way we can do it.

We desperately hope, and I was about to say Mr. Reagan, but any candidate, and there are lots of them, start fishing in these waters for some kind of public image in a critical way, because I think then that we would find the OMB just disappearing off the face of the Earth. We would not be able to find them with a search warrant.

Mr. BAILAR. I sometimes wonder if they have not already disappeared. I cannot find them over there.

The CHAIRMAN. It is a critical gap in this business. It is really incredible that this gap has been permitted to continue.

We realize the White House has a lot of important things to deal with, and it is an unconscionable kind of responsibility in many ways, but here is something that everybody was involved in from the very beginning.

This was just not Republicans and Democrats, and it is not a partisan issue now, and must never be. It is a much bigger question than that. It is in the national interest, the public service concept in all ways, and efficiency of administration, and if we could just guarantee that to keep this shoulder to shoulder in trying to resolve these problems I am hopeful that we have a chance to make it.

Mr. BAILAR. We are going to keep trying. We need some help. Senator FONG. I think the time is ripe.

Mr. BAILAR. I appreciate the support of this committee.

The CHAIRMAN. Thank you very much.

The committee stands adjourned.

[Whereupon, at 12:05 p.m., the committee adjourned, subject to the call of the Chair.]

[The following statements were submitted for the record:]

STATEMENT OF GEORGE FRAIN, SECRETARY, BASYAP, INC. ON S. 2844

Mr. FRAIN. Mr. Chairman, thank you for the opportunity to appear at this hearing on your bill, S. 2844.

For the record, I am George Frain, I am a retired Congressional aide credited with basic work on the Presidential Memorial Kennedy Center. I am secretary of BASYAP, or Businessmen Affected Severely by the Yearly Action Plans, Inc., a small business group incorporated in the District of Columbia in 1970 to work for the preservation of the smaller business sector of our economy.

We saw small businesses wiped out by government-financed programs such as urban renewal, and facing increased government red tape, higher costs of mail delivery with poorer service, more taxes, less service, more forms to fill out, more government demands, all putting them against the wall.

As specified by your Committee, we shall be directing our testimony today to S. 2844 and to the introductory statement of Chairman Gale McGee explaining its purposes and the Chairman's views which appeared in the Congressional Record of January 26, 1976 at pages S 501 through S 503.

We will take up each of Chairman McGee's points, and discuss them and make our comments on them for the published record of your committee.

Chairman McGee said, first, that:

"Unfortunately, there has been no fair and true test of the Postal Service....no fair test of the proposition that, given time and good management, the Postal Service could achieve self-sufficiency. For inflation has intervened....today we find that financial self-sufficiency for the Postal Service must remain a goal for the future--the somewhat remote future. for the service has accumulated formidable deficits....The Postal Service reports to me that inflation has struck with greatest impact in three areas: the costs of labor and energy and the length of time required by the Postal Rate Commission to recommend increased rates."

In commenting on the points made by Chairman McGee in his introductory statement we will make extensive use of statements made by such Federal officials as Postmaster General Bailar, William J. Anderson of the General Accounting Office, and other sources.

The statement of William J. Anderson, Deputy Director, General Government Division of the General Accounting Office to your Committee made some major points in commenting on S. 2844 and they help shed new light on the aspect called to our attention by Chairman McGee--

A. "At the time of reorganization, the Service's payroll costs amounted to about \$7.5 billion for 724,000 man-years of effort. In 1975, the Service paid \$10.8 billion for 693,000 man-years. The work force dropped slightly over the 4-year period, while payroll costs increased 45 percent."

B. "Proportionally, fuel costs increased even more--from 25 to 45 cents per gallon for gasoline. As the Service has pointed out, each one-cent increase in the price of a gallon of gasoline increases its costs by \$3.5 million.

C. "These pressures help explain why the annual cost of operating the Postal Service has risen by about \$3.5 billion since reorganization and why the price of a unit of first-class postage has risen from 6 to 13 cents over the same period."

D. "The Service's costs have risen sharply in recent years, primarily a result of the significant increases won by postal workers --increases that have exceeded those obtained by workers in both the Government and private sectors. Under the former way of doing things, Congress would have had the option of raising postage rates to offset the rise in costs, or, if it so chose, to keep the rates stable and increase the amount of the subsidy."

E. "That option is not available to the Postal Service. Its subsidy is fixed. It has no alternative to increasing rates and in the event of not increasing them quickly enough, to absorbing the added costs by digging into working capital and by short-term borrowing."

F. "Because inflation was unexpectedly severe, the cost-of-living adjustments to postal workers were greater than anticipated--\$400 million more in 1975 alone."

G. "The added costs resulting from the fuel crises were not anticipated."

H. "Postage rates could not be raised to increase revenue as quickly as needed--the second rate case took 23 months to resolve, a period during which rates were frozen."

I. "Mail volume has not only not increased as expected, but has actually fallen."

We also strongly commend to you the dissenting opinion of Commissioner Saponaro of the U.S. Postal Rate Commission dated August 28, 1975 on Docket No. R74-1, Postal Rate and Fee Increases, 1973.

Chairman McGee's comments are further supported by the testimony of Postmaster General Benjamin F. Bailar given to the Senate Committee on Post Office and Civil Service on January 27, 1976 in which he said:

"In FY 1974 we experienced a net loss of \$438 million. In FY 1975 our total income, including appropriations fell \$989 million short of covering expenses. Today, just past the halfway point of FY 1976, we have already added another \$1.1 billion to our deficits. In the months before the effective date of our new rates, our deficit has been growing at a rate of approximately \$200 million a month. We expect the rate increase, now under challenge in the courts, to enable us to cover our costs in the second half of FY 1976. However, as reported in the President's budget, we are projecting an estimated deficit of \$1.5 billion for this year. This includes an allowance of \$500 million for contingencies, about 4% of our operating costs, in accordance with 39 U.S.C. (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 FY 1972, will sink to a negative \$1.3 billion at the end of this fiscal year. In practical terms, we may be forced to borrow before the end of the fiscal year to meet our payroll."

It may be doubted that this bill, S. 2844, will make the Postal Service whole again and healthy, the news from the Postmaster General is almost uniformly bad news. For instance, in a speech to the Economic Club of Detroit, Michigan, on March 8, 1976, Postmaster General Bailar said that without some sort of controversial major surgery -- he mentioned, for example, elimination of six-day-a-week, front-door mail service for some unspecified patrons -- the postal system is "heading for a potential disaster."

Very high on the list of troubles facing the Postal system, Postmaster General Bailar said, is "a vicious spiral" that threatens to destroy the postal system comprising the following items:

1. An increasing number of addresses to service (about 2 percent more each year) yet a declining annual volume of mail as major mailers, reacting to postal rate increases, increasingly experiment with other ways to reach customers -- direct delivery of residential bills by

utility firms, such technological innovations as the direct transfer of funds via telephone and computers, and Time Inc.'s decision to market People magazine on newsstands only.

2. The continued demand by the average citizen for "ever-more-costly" traditional services, expecting the suburban postman to walk up to each front door instead of stuffing the mail in curbside boxes, perhaps from a vehicle.

3. A limit to "what we can realistically expect" from postal mechanization, despite cost-reduction efforts by the Postal Service, including the lopping off of 19,000 jobs over the past year.

Postmaster General Bailar told the Detroit Economic Club also, as reported by the newspapers (Washington Star, March 8, 1976) that--

"If the public elects to continue the postal system in its present form, it will have to pay a steep price. It may find the first-class stamp becoming a luxury item in the next decade, and the Postal Service a ponderous and costly left-over from simpler, more affluent times."

Also, in his speech, Bailar urged Americans to junk the "myths and nostalgia" through which the Postal Service is viewed as a "political birthright" and begin viewing it as simply a service which, like other services, can be trimmed where it is uneconomical.

Bailar said the "keynote of the postal future must be flexibility-- flexibility to provide more service for those who need more and are willing to pay more --and we can do that -- and flexibility to trim service where it is really not needed in order to save all users unnecessary expense."

4. William J. Anderson of the General Accounting Office made this point far better than we can when he testified before this Senate Post Office Committee on S. 2844 on January 28, 1976 when he said--

"Much of the controversy surrounding the Service today centers on the issue of rates. Until recently, the Service saw its mandate as requiring eventual self-sufficiency, with the mail user ultimately bearing the full costs of operating the Service. There is a school of thought, however, that postal operations contain public service aspects that should be borne by the general public.

"Resolution of this issue, while desirable, is not a cure-all. Providing public service subsidies will keep rates lower than they otherwise would be and may enable the Service to continue to provide services it might otherwise eliminate. Subsidies, however, will not step the tide of rising postal costs, nor preclude future rate increases.

"Indeed, we have estimated that depending on productivity gains and inflation pressures, a unit of first-class postage could cost as much as 36 cents in 1984. This was discussed in our report to the House Post Office and Civil Service Committee "Forecast of Postal Service Self-Sufficiency Potential" (GGD-75-58 February 20, 1975). Even that figure could be understated since our calculations assumed that mail volume would continue to increase as in the past, in proportion to the growth of disposable personal income and the increase in the number of families and individuals. This is not so certain; the recent volume declines indicate that demand for mail services is not as inelastic as previously thought.

"Ideally, the calculated public service subsidy would be the difference between the revenues generated by reasonable and acceptable postage rates and the cost of operating the Postal Service. But what are reasonable postage rates? It is very possible that after the Commission (to be established by S. 2844) determines what public service subsidies should be, the residual costs would still be high enough to require postage rates considered unacceptably high in some quarters. The present 13 cent first-class stamp is considered outrageous by many -- despite being lower than the cost of a unit of first-class postage in a number of other countries."

In this connection, Mr. Anderson speaking for the General Accounting Office had a most excellent suggestion which we completely endorse, and we quote from his testimony:

"We are currently studying the pros and cons of tying postage rates to some index--perhaps the Consumer Price Index. Presumably, rates moving with prices generally will be more palatable to the public. Indexing would serve the dual purpose of setting an "acceptable" level of rates and providing a basis for determining the amount of the Federal subsidies--which would be an amount equal to Postal Service expenses less index-derived revenue. We expect

that our study will shed light on whether indexing is a feasible alternative to the existing rate-making procedures. One problem to overcome is that indexing would probably give the Postal Service appropriated funds to cover the shortfall between revenue and expenses and, as such, provisions would have to be made to measure the effectiveness of management's actions.

"What does all of this mean in terms of self-sufficiency? As we view it, Mr. Chairman, it means that self-sufficiency may, in fact, be unattainable. Unattainable, on the one hand, because it could result in postage rates so high as to inhibit the personal, educational, literary, and business correspondence of the people. Unattainable, on the other hand, because it may prove economically impossible because of declining volume and revenue in the face of increasing costs."

Chairman McGee said in the Congressional Record of January 26, 1976 in introducing S. 2844, that:

"The first-class rate has been increased approximately 63 percent since postal reorganization: in 1971 from 6 to 8 cents; in 1974, from 8 to 10 cents; and, in 1975, from 10 to 13 cents.

"We all know that a postage increase is unpopular, no matter how needed it may be, no matter how steeply other prices may be rising. But over the long term--and this is more serious--such increases erode the financial structure of the Postal Service by causing decreases in volume. The Postmaster General has noted with some dismay recent volume losses."

Senator McGee documented this by pointing out that mailers are seeking and finding other means of communication. Managers of some of the major national magazines have made no secret of the fact that they are exploring alternative means of delivery; and the development of new technology presages the day when bank checks and other messages may be transmitted electronically. Chairman McGee then says that--

"The conclusion is clear: Postal rate increases cannot, in themselves, resolve the problem of today's postal deficit."

We do not believe that the sole answer is to be found in providing the subsidies which S. 2844 calls for, nor is it to be found in providing the postal rate increases asked for by the Postmaster General. In order to be as helpful to your Committee as possible, we urge you to study the alternatives, and perhaps the Commission proposed by Chairman

McGee could study the alternatives and, if so, please remember that time is of the essence, and that a report to the Congress should be made as soon as possible.

Alternatives the Commission, which S. 2844 would establish, should study and report to the Congress on at an early date

Chairman McGee in introducing S. 2844 cited President Ford's budget message which conveys this assessment of postal problems:

"The Postal Service continues to face serious difficulties in achieving a balance between its cost and revenues. It will continue to explore ways to control its costs through such steps as closing marginal post offices, reducing overtime, and transferring employees from overstaffed operations to fill vacancies elsewhere."

We are disturbed when Chairman McGee comments in the Congressional Record of January 26, 1976 as follows regarding President Ford's plan for saving money:

"Well, as we have seen, that just will not work. The savings realized through the means described will amount to a drop in the bucket when the Postal Service needs a full pail."

Congress, in fact, mandated economy provisions in the Postal Reorganization Act of 1970, and President Ford's Budget Message requirement is based on that Act of the Congress. Here, we refer and call your attention to Section 101(g) and Section 403(b)(3) of the Postal Reorganization Act, also known as Public Law 91-375 which speaks of economy in the Postal Service as both the policy and duty of the Postal Service.

Economy is not something the Postal Service has done much about. Jack Anderson, the nationally syndicated columnist, said in the Washington Post (March 7, 1976) that--

"The mission of the Postal Service, for example, is to deliver the mail. But the postal brass, whose mismanagement has brought the system to the brink of bankruptcy, prefer to cut mail deliveries than executive salaries. Some 300 postal executives are collecting annual salaries higher than \$38,000.

"Postmaster General Ben Bailar has set the example. He has given himself a raise, and at the same time, has proposed an end to everyday mail deliveries."

The Washington Post (March 12, 1976) reported that--

"Downtown business and government customers in Washington, Baltimore and Richmond will get unwelcome news in their mail today--a notice from local postmasters advising them that as of March 29, regular postal deliveries will be reduced to one a day from two.

"The cutbacks in service, certain to spark a howl from business and government offices that now get two deliveries a day, are part of reductions being planned in nine Northeast U.S. cities.

"According to a spokesman for the U.S. Postal Service regional office in Philadelphia, which ordered the cutback, the reduction in service will save the financially strapped corporation about \$3 million a year.

"In addition to Washington, Baltimore and Richmond, service will be cut to one daily business center delivery in Pittsburgh, Philadelphia, Syracuse, Utica, Rochester and Buffalo. In New York City, where there currently are three deliveries a day, service will be reduced to two deliveries starting May 17."

Well, one thing the Commission which S. 2844 could study is how to cut back on the huge \$38,000 and above salaries of Postmaster General Bailar, and the other 300 postal executives, at least \$3,000,000 in a total amount to be used to restore the service in these cities which Postmaster General Bailar has reduced mail deliveries to.

The way we figure it, these 300 postal executives are paid a total of \$11,400,000 and we believe they are overpaid by at least one-third and perhaps as much as one-half. Cutting back on their salaries, which are higher than that paid many State Governors, would provide the funds needed to restore the service which has just been cut back so drastically.

While this might meet with some resistance from the Postal executives, it would certainly be popular in the cities where business mail deliveries have just been cut. It could re-elect Members of Congress who backed it.

Alternative No. 2

The Commission to be established by S. 2844 should study the best ways to implement this language in Senate Report No. 91-192, 91st Congress, 2d Session, which set out the intent of the Congress in establishing the reorganized Postal Service by adoption of Public Law 91-375:

"The temptation to resolve the financial problems of the Post Office by charging the lion's share of all operational costs to first class is strong; that's where the big money is. The necessity for preventing that imposition upon the only class of mail which the general public uses is one of the reasons why the Postal Rate Commission should be independent of operating management."

Judge Seymour Wenner, the Chief Administrative Law Judge, in his Initial Decision, said this with regard to the rates established by the Postal Service on first class mail--

"Postal Service's charge of 10 cents for a first-class letter provides \$1.3 billion in excess revenue which is used to subsidize other classes. The Postal Service has become a tax-collecting agency, collecting money from first-class mailers to distribute to other favored classes."

Another aspect of the unfair and, indeed, illegal way which the Postal Service is dealing with the first class mailer is shown by this statement by Judge Wenner in his Initial Decision:

"For example, the new \$1 billion bulk mail system will handle bulk third and fourth-class mail and some second-class mail. Because Postal Service classifies buildings and equipment as 'fixed costs, 58 percent of the cost of this system will be charged to first-class mail on the basis of its relative inelasticity of demand, even though it will not use any of these facilities. Postal Service is distributing, on the basis of inverse elasticity, costs which should be directly assigned to classes on a cost basis. And the result is to increase the cost burden on the more inelastic classes of mail--principally first-class mail."

Obviously, if the Commission to be established by S. 2844 cannot study and report on such obvious illegalities, then it may be doubted if it should become law, or be adopted by the Congress at this time.

Alternative No. 3

Senator McGee in introducing S. 2844 quotes President Ford as saying to a number of business mailers who recently talked to him about postal problems that:

"I just don't accept that they (the postal system) are doing as well as they should be doing. We have to prod them, just like we are prodding New York City, to improve their efficiency productivity... if we don't keep the pressure on them...you know how things operate in government...that's one of the basic problems in New York City. No one really put the screws on them until this year and now they are faced with reality. I think the post office department--management and labor--has to face up to that reality --here as well as in New York."

Chairman McGee goes on to make this significant statement about the statement attributed to President Ford by the chairman of the Board of Time, Inc. --

"This statement bears out our understanding that the President and, through him, the Office of Management and Budget, strongly oppose any financial aid for the Postal Service. The current budget allows not one penny of additional funding for the Postal Service...If the quotation of the President is an accurate one, I regret the general view it expresses that somehow, if the Postal Service will just buckle down, it can overcome its disastrous fiscal problems. It seems clear to me that the Postmaster General has done all he can. He has no options left. His only recourse is to the Congress."

We urge your Committee to give to the views of President Ford and the Office of Management and Budget the consideration which is due them, and not to establish a Commission which will treat them as unimportant. They are terribly important, and we urge their full study by your Committee. In this connection we think the following statement in the testimony of Postmaster General Bailar to your Committee on January 27, 1976 is particularly and singularly relevant:

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

"As an alternative to 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."

Alternative No. 4

Chairman McGee had this to say, in introducing S. 2844, on page S 503 of the Congressional Record of January 26, 1976--

"Finally, let me apprise the Senate of ominous signs I see on the horizon. For several months now we have heard rumors that various influential and highly placed members of the Ford Administration have advocated repeal of the Private Express Statutes. These are the laws that give the Postal Service a monopoly in the delivery of first-class letter mail... Now the push to repeal the Private Express Statutes emerges. We find the Council on Wage and Price Stability, a part of the Executive Office of the President, urging the Postal Rate Commission to consider recommending that Congress abolish the Private Express Statutes.

"It is my strong hope that the Postal Rate Commission will do no such thing. Certainly, I would oppose consideration of such a recommendation which, if adopted, would destroy the Postal Service and prevent it from complying with the mandate of Congress which obliges it "to bind the Nation together through the personal, educational, literary, and business correspondence of the people."

We are disappointed in this position taken by the Chairman of the Senate Post Office and Civil Service Committee.

We would like to point out that the House of Representatives had the courage and vision to grasp the nettle and debate the repeal of the Private Express Statutes, and the debate took place on October 30, 1975.

68 Members of the House of Representatives, and this included leading and representative members of the other body from both the Democratic and Republican parties, voted to repeal the Private Express Statutes, when the Postal Reorganization Act Amendments (H.R. 8603) was adopted.

In view of Chairman McGee's statement, and despite the fact that two distinguished Senators, Senators Holms and Fannin, have introduced S. 3025 to repeal the Private Express Statutes, the Senate may never

have a similar opportunity to debate the basic issues involved in the Postal Service's monopoly of first class mail delivery, it may be useful and helpful to your Committee to quote from the House debate on this matter, at the time H.R. 8603 was being considered on the House Floor.

Congressman Rousselot told the Members of the House of Representatives during the debate that--

"It is ironic that if we are unsuccessful in repealing the private express statutes today, modern technology will end the Postal monopoly over first-class mail in a very few years without a fight. According to an in-house study conducted by the Postal Service, the volume of first-class mail is being reduced steadily by the industry and Government use of electronic mail which is sometimes referred to as EFTS or electronic funds transfer system.

"It is estimated that by the year 1985, 38 percent of all first-class mail will be sent by an electronic message. Ten percent of all social security checks are currently being electronically transferred directly to the recipients bank. The Postal study further reveals that by 1985, nearly 60 percent of all transactional first-class mail will be sent outside the postal system. This statistic is more dramatic since it is the transactional mail which represents the "cream" which would be "skimmed" by repealing the private express statutes. Transactional mail contains the lucrative computerized and presorted billings and advertising which are sent at the first of each month.

"For example, American Express would no longer send through the mail a monthly statement of purchases since the money from the purchaser's account would automatically be transferred to the seller's bank when the sale was made. I think it is important to include these facts in a discussion of the private express statutes because historically, Americans have found faster and more efficient ways of transferring their messages. A good example is the Pony Express, which was a private initiative to deliver letters in days which normally took months to receive.

"The postal monopoly on first-class mail will be eliminated, because private industry cannot afford the luxury of an inefficient postal system.

"Time and Sports Illustrated magazines are now experimenting with home delivery by newspaper carriers as an alternative to the sharply rising costs of mail delivery. Time Inc. has also contracted with National Postal Service, a privately owned company, for the delivery of Time and four monthly magazines in the San Francisco Bay area. Dow Jones is also experimenting with the delivery of the Wall Street Journal through a newspaper carrier network in urban areas. Even the Federal agencies are using private

carriers, the General Services Administration has estimated that approximately \$5 million of business was conducted with private postal corporations in 1974.

"Presently there are 11 privately owned postal services, carrying second-, third-, and fourth-class mail in various parts of the United States and these firms are attracting sufficient business to support their continuation.

"The privately owned United Parcel Service has continued to attract customers away from the U.S. Postal Service and now delivers more packages than the Postal Service. It damages only one package for every five damaged by the Postal Service and its rates are cheaper. Yet it continues to make substantial profits and produces revenues to the Government by paying taxes on the profits.

"Americans will be subsidizing the Postal Service to a tune of \$3.1 billion this year if this legislation passes. This fact combined with increased postal rates shows that the Postal Reorganization Act has not worked. It is time to make the Postal Service competitive with private enterprise. It is time to have tax dollars from private postal corporations coming into the General Treasury rather than billions being spent on an organization which does not even have the right to layoff its employees."

During the House debate on the Rousellot-Crane amendment to repeal the Private Express Statutes <sup>it was pointed out</sup> that the Post Office did not enjoy its monopoly on delivery of first-class mail until 1850 when the Congress began to prevent <sup>private carriers</sup> other services from delivering to households and businesses on a first-class mail basis.

Further, it was revealed that in the early part of the 19th Century New York City had several deliveries of mail each day with private carriers competing against the U.S. Post Office. The rates which the private carriers charged were higher in many instances but the business community chose to use these private carriers in many instances because their service was so much quicker.

Congressman Symms who spoke and voted for repeal of the Private Express Statutes pointed out to the House Members, many of whom had expressed the same fears and alarms expressed by Postmaster General Bailar

and Chairman McGee, that:

"In my State there are many places far removed from post offices. My place is about 10 miles from the nearest post office or the nearest town, and some of my friends live 40 or 50 miles from the nearest town. They live far from any post office, and they still get mail and butter and eggs and ice cream delivered to their places; yet much of this is perishable.

"So I say we should let the people who deliver the butter, the eggs, and the ice cream deliver the mail. They are the people, in other words, who serve the marketplace."

These are real issues and they cannot be swept under the rug. If the hundreds of Members of the House of Representatives can hear the proponents of repeal of the Private Express Statutes state their case and then proceed to consider and debate the issues involved, surely the Senate Post Office and Civil Service Committee and the Senate of the United States cannot be hurt if they did likewise. And, surely, the Senate of the United States has been willing to consider, hear, and debate even the thorniest issues since the founding of our government.

We have read the 66 pages of Comments of the President's Council on Wage and Price Stability concerning the Private Express Statutes and we believe, after studying these comments, that the Senate Post Office and Civil Service Committee must and should hold an early hearing to hear the officials who signed and are responsible for these comments, and be objective and open minded about their views and comments.

Further, we believe the commission to be established by S. 2844 --if it is approved by the Senate--would be well-advised to take up and consider and look into the types of issues which the President's Council urged the Postal Rate Commission to study, and to convene a blue-ribbon expert panel to look into and appraise, that is:

1. What would be the impact on the consumer, including the cost and quality of service for the metropolitan resident vs. the rural resident, the inner-city apartment dweller vs. the suburban homeowner. of

repeal of the Private Express Statutes;

2. What would be the impact on the Postal Service worker and on workers who would seek jobs with the newly emerging competitors to the Postal Service;

3. What would be the impact on businesses which do high-volume, intra-metropolitan mailing (e.g. utilities and banks) and would they be able to reduce the costs of their services if their mailing costs were cheapened substantially;

4. What would be the impact on the managerial efficiency and labor productivity of the Postal Service; and

5. What would be the impact on Postal Service deficits and the level of Federal subsidy and would new direct subsidies be needed to cheapen the cost of first class to rural areas.

We are surprised that the Chairman of the Senate Post Office and Civil Service Committee would shut his mind to such a study of the impact which repeal of the Private Express Statutes would have.

Since it appears unlikely that the Postal Rate Commission is going to study these matters or establish a blue-ribbon expert panel to study and hear testimony on these issues, the matter is obviously up to the Senate Post Office Committee--and we urge and request it to begin such a hearing immediately on the five areas recommended for study by the President's Council on Wage and Price Stability.

In closing we call your attention to the explanation and bill by Senator Paul J. Fannin and Senator Jesse A. Helms in the Congressional Record of February 24, 1976, pages S 2174 through S 2176, when they introduced S. 3025, a bill to amend title 39, United States Code, to eliminate certain provisions relating to private carriage of mail, to permit free competition in the delivery of mail, and for other purposes,

a bill which was referred to your Committee and which we urge and request you to set hearings on at an early date.

Senator Helms said in his introductory statement and we quote:

"It is time that the Senate took a look at the sorry state of affairs in our postal system in realistic terms. In my view, we have only two alternatives. The first--and this will only increase and prolong the agony--is to maintain our present course by accepting the fact that the quality of service will continue to decline and the deficits and rates will continue to rise.

"But I reject this alternative, Mr. President, because it is really no alternative at all. It would be preferable, in my judgment, to follow the recommendations of the Council on Wage and Price Stability, and allow private enterprise to tackle the problem. Not only have private carriers already shown that they can do the job better and cheaper, but their entry will undoubtedly spur the Postal Service to improve its operation. More than anything else, the U.S. Postal Service needs a good dose of competition."

We want to commend President Ford for his courage in facing up to the issues facing the American people as a result of the Postal Service monopoly. The Postal monopoly is as pernicious as any other monopoly.

Senator Paul Fannin wrote me under date of March 1, 1976 saying he was pleased to sponsor, with Senator Helms, S. 3025, the Postal Reform Act of 1976. He wrote that this bill will accomplish the same ends as the amendments offered by Representative Philip M. Crane which the House of Representatives took up and debated on October 30, 1975 "to which you referred in your recent letter." We are especially pleased to have had a small part in bringing the Crane amendments before the greatest deliberative body in the world, the United States Senate.

We thank you for giving us the opportunity to discuss the crisis of the Postal Service in such a meaningful way.

Statement  
of the  
AMERICAN COUNCIL ON EDUCATION  
before the  
SUBCOMMITTEE ON POSTAL OPERATIONS  
COMMITTEE ON POST OFFICE AND CIVIL SERVICE  
UNITED STATES SENATE

March 29, 1976

The following associations join in this statement:

AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES  
AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES  
ASSOCIATION OF AMERICAN UNIVERSITIES  
ASSOCIATION OF JESUIT COLLEGES AND UNIVERSITIES  
THE CALIFORNIA STATE UNIVERSITY AND COLLEGES  
NATIONAL ASSOCIATION OF COLLEGE AND UNIVERSITY BUSINESS OFFICERS  
NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES  
NATIONAL CATHOLIC EDUCATIONAL ASSOCIATION, COLLEGE AND UNIVERSITY DEPARTMENT  
NATIONAL COUNCIL OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. Chairman and Members of the Subcommittee:

On behalf of the American Council on Education, an association of 175 national and regional associations and 1,330 institutions of higher education throughout the United States, and those associations whose names are noted on the cover sheet of this testimony, I would like to express our support of section 10 of H.R. 8603 and S. 2015.

Background

During the last year and a half, the United States Postal Service has notified several hundred colleges and universities that their bulletins and catalogues, presently being mailed at second-class rates under second-class permits, no longer qualify for mailing at this preferential rate which has historically been reserved for publications. In most of these cases, Postal Service officials have threatened revocation of the institutions' second-class mailing permits unless their mailings are brought into immediate conformity with the present interpretation given the definition of "publication" within the applicable Postal Service regulations.

Individual colleges and Washington-based higher education associations have attempted to conciliate these problems with the General Manager of Domestic Mail Classification Division and the Postmaster General. Unfortunately, no progress towards a satisfactory resolution of this matter resulted.

For more than 70 years our colleges and universities have mailed their catalogues and bulletins at the second-class rates, as such matter was properly classified as second-class material. Until recently, postal authorities have never questioned whether these publications fall within the existing definition of material appropriate for second-class mailing. The

material being disseminated is clearly information of a public character. The genesis of the present difficulty seems to be whether, in the Postal Service's view, a publication is a "newspaper or other periodical" and entitled therefore to classification as second-class mail. The definition of "periodical" the Postal Service has long relied on is extracted from a 1904 opinion of the Supreme Court in the case of Houghton v. Payne (194 U.S. 88), and has consistently been interpreted to include college and university bulletins and catalogues within the ambit of its coverage. We believe that this interpretation was entirely proper, and, in fact, required by law.

A College Catalogue Is a Periodical for Purposes of Second-Class Mail

The definition of periodical handed down by the United States Supreme Court in the Houghton case states that

A periodical, as ordinarily understood, is a publication appearing at stated intervals, each number of which contains a variety of original articles by different authors, devoted either to general literature of some special branch of learning or to a special class of subject. Ordinarily each number is incomplete in itself, and indicates a relation with prior or subsequent numbers of the same series. It implies a continuity of literary character, a connection between the different numbers of the series in the nature of the articles appearing in them, whether they may be successive chapters of the same story or novel or essays upon subjects pertaining to general literature. 194 U.S. at 97. (1904)

The Postal Service claims that extensive curricular listings and course descriptions are not original articles by different authors, nor do they demonstrate continuity of literary character.

A fair reading of the definition would indicate that second-class status is rightfully accorded to college and university catalogues. Issues of the publications appear at stated intervals; each contains original material by different authors. In most cases, administrative officials of the various departments within the school write the articles. Each article is devoted to a particular branch of learning. Each issue is generally incomplete in itself as it deals with only one division of the branches of

learning carried on at the institution; each is related to prior and subsequent issues of the same series. Bulletins and catalogues also have continuity of literary character and connection between the essays on subjects pertaining to general literature. There is a consistent literary style and a definite connection between the individual sections of each issue as they all deal with various aspects of a particular branch of learning at a given institution.

Thus, under a reasonable interpretation of the requirements set forth in Houghton, most college catalogues or bulletins qualify as second-class mailing matter. The unduly strict construction presently being given to the definition is inconsistent with the Postal Service manual regulations now in effect, and is based on a highly questionable interpretation of the Houghton decision, which did not squarely address the matter now at issue but dealt with the differences between a literary periodical and a series of books containing fiction.

#### Right to Rely on Previous Interpretations

The Postal Service decision revoking numerous second-class mailing permits for college and university catalogues constitutes an abrupt reversal of the interpretation and application of postal laws and regulations consistently followed by 19 postmasters over a span of nearly 70 years. In this reversal the Postal Service has disregarded a basic principal of law, that where the plain meaning of a statute does not provide a definitive answer, courts can rely upon the doctrine of contemporaneous construction which holds that where an agency adopts a consistent policy in reliance on statutory language and Congress reenacts that statute, the Agency is not free to change its policy.

The fact that the Postal Service is now a different governmental corporation than the Department which administered the Post Office in most of the years since Houghton does not justify the discarding of an administrative interpretation which was used for many years without objection by Congress. The colleges and universities are as much entitled to rely on administrative interpretation as they are upon the language of the law itself.

The Postal Reorganization Act Ratifies Past Administrative Interpretation

On each of the previous occasions when Congress reconsidered the second-class mailing statute, it reenacted it and did not seek to change the definition of "newspapers and other periodical publications" to prevent the entry at second class of the college and university catalogues. Under established rules of construction, therefore, Congress approved the Postal Service's policy of admitting these publications to second class contrary to the bare assertions by the Post Service. The Service is not now free to alter this policy.

In enacting the Postal Reorganization Act, Congress expressed its clear intent to continue in effect the preferences given to certain groups of mailers, including nonprofit educational institutions. One must conclude that the Congress was aware of the preferences that existed on the date that the law was considered and passed, and that it was those preferences and accompanying administrative interpretations then existing, including the mailing of college catalogues at second-class rates, that Congress ratified and gave the full force of law.

Post Service's Activity Constitutes an Unlawful Rate Increase or Change in Classification

With the enactment of the Postal Reorganization Act of 1970, Congress clearly enunciated its intention that publications of certain qualified nonprofit organizations would be entitled to the same mailing rates as applied on the effective date of the Act, with a proviso that such rates could be adjusted in accordance with specific guidelines. The guidelines stated that such rates could be adjusted only by the Post Rate Commission, and then only if Congress failed to appropriate sufficient monies to offset the difference between revenues and the actual costs of handling certain classes of mail. Furthermore, any such adjustments were to be prorated over a period of ten years for all nonprofit education institutions.

The current Postal Service action singling out colleges and universities and certain other publishers in effect imposes a rate increase on them by forcing them to use first-, third-, or fourth-class mails. This action is illegal under the charter given to the Postal Service by Congress. The Congress has not approved such selective rate increases, nor has it failed to appropriate sufficient funds to meet the cost of second-class mailing for colleges and universities. The Postal Service apparently believes that Congress will continue to fund the deficit for profitmaking enterprises using second-class mails, but will not do so for nonprofit colleges and universities. This conclusion is without foundation, and its effect is grossly discriminatory.

### Inapplicability of Alternatives

The Postal Service has suggested that as nonprofit organizations, colleges and universities may mail their nonperiodical publications at special third-class rates considerably below those paid by others, and that college catalogues weighing more than 16 ounces can be mailed at the special fourth-class rate. Both of these suggestions fail to meet the real concern of institutions. When a college catalogue is requested by a student or prospective student, their need for the information contained therein is immediate. Under the prevailing second-class rate, institutions enjoy reasonable delivery service for such material.

If institutions are denied a second-class permit, schools will be compelled to send their college catalogues at the first class rate, which would increase their costs by 20- to 30-fold. Neither the third-class nor the fourth-class rate provide the speed and reliability which these publications require to preserve their usefulness to the student body. In addition, it should be noted that sending them by third would increase the costs of mailing by 3-fold over the second-class rate currently being utilized.

### Failure of the Service to Accord Colleges Due Process of Law

The abrupt change in postal policy which reversed a long-standing interpretation of the postal law was made without notice to institutions of higher education. Thus, the Postal Service's revocation of second class mailing permits based on an erroneous reading of Houghton is blatantly unfair and inequitable. Colleges and universities have suddenly been confronted with the prospect of unplanned increased in mailing expenses of from 3- to 30-fold in a time when budgets have been strained to the limit by inflationary pressures.

College catalogues or bulletins are a vital tool in bringing information to society at large about education programs that are available not only to the nation's youth but to all age groups in the community. For any institution, denial of second-class mailing permits would immeasurably complicate communications efforts, and increase the costs of the publication to an almost prohibitive level.

Thus, we urge adoption of either section 10 of H.R. 8603 or S. 2015 both of which are consistent with congressional intent and long-standing postal policy in assuring second-class mailing privileges for college and university catalogues.



